FINANCIAL TIMES

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Pressure mounts on the Sandinistas, Page 4

World news

Howe and Shultz to discuss sanctions

British Foreign Secretary Sir Geoffrey Howe is to visit Washington tomorrow and Friday for talks with US Secretary of State George Shultz aimed at co-ordinating the Western response towards South Africa.

Sir Shridath Ramphal, the Commonwealth Secretary-General, said in London that sanctions were "the only method of persuasion to which Pretoria has ever shown even a glimmer of response."

But Sir Shridath made it clear that he wanted the Commonwealth Games in Edinburgh to go ahead. He has sent a personal appeal to all the countries involved asking them not to boycott the games. Page 29

Butter deal delay

Ireland held up agreement in Brussels on EEC quotas for New Zealand butter, a crucial element in a French deal for the release of two agents jailed over the Rainbow Warrior sinking.

Trade war warning

Tension between the EEC and the US over technology transfers might escalate into a new transatlantic trade war, EEC External Affairs Commissioner Willy de Clercq warned in Brussels.

Afghan fighting

Soviet-backed troops appeared to be gaining the upper hand against Afghan rebels who seized the centre of Herat, Western diplomats said.

Anger in Madrid

Accusations of police inefficiency and calls for the resignation of Spain's Interior Minister dominated the headlines in Madrid as the city mourned the killing of nine civil guards by a car bomb. Page 2

Mexico poll claim

Mexico's ruling party has held the governorship of Chihuahua state, according to official figures announced eight days after tense elections that the opposition claims were rigged.

Tragedy 'inevitable'

A dam which burst at Stava in north-eastern Italy last year, killing nearly 270 people, was so badly built and maintained that its collapse was inevitable, an official report into the tragedy says.

Partner resigns

A partner at Wachtell Lipton, one of Wall Street's corporate law firms, has resigned in the wake of the insider trading scandal involving Mr Dennis Levine. Page 29

Ex-FBI man jailed

Former FBI agent Richard Miller was sentenced to life imprisonment in Los Angeles for passing a secret US document to the Soviet Union.

Crash toll mounts

Seventeen Zimbabwean soldiers died when their plane crashed in Mozambique last Thursday, Mozambique newspapers reported. At the time, the death toll was given as four.

Jurors go absent

Only 10 of 200 potential jurors showed up for jury selection in Port-au-Prince at the beginning of a series of trials of five former backers of ousted president Jean-Claude Duvalier.

Titanic revealed

Explorers landed a submersible vessel on the deck of the Titanic and a camera will today track along the grand staircase, providing the first glimpse of the ship's interior since it sank 74 years ago.

Fearless Europeans

Only one European in 100 lets terrorism interfere with holiday choices, according to an EEC survey. Page 2

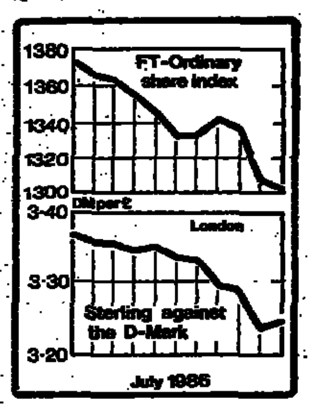
Business summary

Wall St slides; sterling recovers

WALL STREET: The Dow Jones industrial average closed 24.75 down at 1,768.70. Page 44

TOKYO prices climbed to a record close and the Nikkei average finished 62.24 higher at 17,882.80. Page 33

LONDON equities continued lower but gilts rallied. The FT Ordinary index ended 7.3 lower at 1,302.6. Page 44



STERLING rose in London to $1.4955 ($1.4815); DM 3.2600 (DM 3.2275); FFr 10.4575 (FFr 10.3850); Y238.5 (Y237.5), but fell to SFr 2.6300 (SFr 2.6350). The pound's exchange rate index rose 0.3 to 73.7. Page 37

DOLLAR fell in London to DM 2.1860 (DM 2.1795); FFr 6.9925 (FFr 7.0100); SFr 1.7595 (SFr 1.7790), and Y159.45 (Y160.25). On Bank of England figures the dollar's index fell to 113.3 from 113.9. Page 37

GOLD rose $1.25 to $346.75 on the London bullion market. It also rose in Zurich to $346.20 from $345.70. In New York the Comex August settlement was $349.1.

UK industrial production fell 1.5 per cent in May. Manufacturing showed little sign of recovery from the past 12 months' decline. Page 7

PHILIPPINES starts talks with the IMF on the terms of an 18-month standby credit worth up to SDR 61m ($72m). The outcome will have a bearing on the Government's austerity measures. Page 3

MEGGITT Holdings, UK specialist engineering group, launched an £89m ($134m) takeover bid for Bestobell, a supplier of electronic and mechanical components which has recently been recovering from losses on two large Australian contracts. Page 21

CITICORP, biggest US banking group, reported a 6 per cent drop in second quarter net income to $235m partly as a result of steps it is taking to strengthen its loan loss reserves and capital position. Page 21

GTE, US telecommunications and electrical equipment group, announced a rise of 8 per cent in second quarter net income to $309m from $285m during the same period a year earlier. Page 21

KAISER Aluminum & Chemical, third biggest US aluminium producer, has reported a surprise $29.6m or 69 cents a share loss in the 1986 second quarter, a sharp reverse from profits of 14 cents a share in the first three months of the year. Page 21

ELF AQUITAINE Norge, Norwegian offshoot of the French petroleum and industrial group, and Saga Petroleum, the debt-burdened Norwegian independent oil company, have apparently broken off talks about a merger. Page 22

PUMA, West Germany's second largest producer of sports shoes and a growing competitor in the international sports and leisure clothing markets, is seeking to raise DM 86.8m ($39.8m) through its forthcoming flotation on the Frankfurt stock market. Page 23

ITALCABLE, state-controlled company which handles Italy's intercontinental telecommunications traffic, announced the acquisition of a 20 per cent shareholding in Voice Mail International, a California-based company which manufactures and markets recorded voice communication services and systems. Page 21

CURBS ON FOREIGN SHAREHOLDERS STRENGTHENED

Chirac plans new privatisation law to outflank President

BY DAVID HOUSEGO IN PARIS

MR JACQUES CHIRAC, the French Prime Minister, plans to outflank President François Mitterrand's objections to his Government's privatisation programme by rushing fresh legislation through parliament by the middle of August.

The Government hopes by this means to minimise delays to its privatisation timetable.

Limits on foreign holdings in the 65 groups to be privatised have been strengthened.

The Government accepted an amendment by the Conseil d'Etat, the legal body that screens legislation before final Cabinet approval, that the 15 per cent limit on foreign holdings should last indefinitely rather than for five years.

The Conseil d'Etat's ruling will also enable the Finance Minister to reduce the 15 per cent ceiling if he feels that national interests are at risk. The "golden share" mechanism has been strengthened to prevent unwelcome holdings being built up by foreign interests.

Mr Mitterrand on Monday cited insufficient guarantees against foreign ownership as his reason for refusing to sign the Government's privatisation decree.

It now seems increasingly likely, however, that the decree as amended and to be transformed into law could conflict with EEC legislation on the freedom of capital movement in Europe.

Having initially declined to comment on Mr Mitterrand's refusal to sign the decree, Mr Chirac has now adopted a more aggressive tone. Tonight, he will make his first major televised statement since coming to power in March.

His advisers said yesterday that he would use the occasion to explain why fresh legislation was necessary, that President Mitterand's fears were unfounded and that the priority now to be given to the privatisation bill would push back other legislation.

Above all, Mr Chirac is expected to blame President Mitterrand for the dispute and to accuse him of disrupting the government's programme. In this sense Mr Mitterrand's announcement on Monday that as "a matter of conscience" he would not sign the privatisation decree, marks a turning point in the history of "cohabitation."

Ministers believe that by this decision Mr Mitterrand has forfeited much of his role as a national arbiter as provided for in the constitution and is instead giving partisan support to the Socialists.

The Prime Minister's office said that the Government hopes to get the new bill – which will essentially adopt the text of the decree – through the National Assembly before the already prolonged session of the Parliament is due to end in mid August. The President can only delay by 15 days laws approved by Parliament, whereas he can refuse to sign a decree.

In thus choosing to send the privatisation measure back to the Parliament, Mr Chirac has thus implicitly backed away from a confrontation with the President at a time when the opinion polls are not in his favour and with the summer holidays making an election difficult. But the clash over privatisation forebodes similar conflicts when the budget comes before the National Assembly in the autumn.

Chirac intends to submit the privatisation decree to Mr Mitterrand at this morning's Cabinet meeting. Government sources still expected yesterday that the President would refuse to sign it despite the changes

Guinness to take vote on new plans for board

BY LIONEL BARBER IN LONDON

GUINNESS, the UK brewing and retail group, last night bowed to pressure from the Bank of England and its own financial advisers and agreed to modify controversial board changes proposed this week following its successful £2.5bn ($3.7bn) takeover of Distillers, the international drinks company.

After a dramatic day of negotiations in the City of London which ended with the resignation of one of the company's brokers, Wood Mackenzie, Guinness said it was calling a special meeting of shareholders to endorse the board changes.

In its offer document for Distillers dated March 3, Guinness said that a board would be formed from senior executives of the two companies and chaired by Sir Thomas Risk, Governor of the Bank of Scotland. The management structure was also contained in a circular to shareholders.

But on Monday, after disclosures to newspapers, Guinness announced that it was withdrawing its invitation to Sir Thomas. Under a new plan, Mr Ernest Saunders,

> **Mr Michael Newman was forced to resign as chief executive of Britannia Arrow Holdings, the UK's largest quoted fund management company, by the two newspaper chiefs whom he welcomed as shareholders six months ago. Page 20**

Guinness's deputy chairman and chief executive, would assume the post of group chairman and chief executive and Lord Iveagh, the chairman, would become president.

The Bank of England, making a rare public intervention, said yesterday that it was very concerned by the changes which ignored material statements made during the takeover battle. It also criticised the way in which Scottish interests, represented by Sir Thomas on the board, appeared to have been diluted.

The Bank said that Mr Robin Leigh Pemberton, the Governor, had told Mr Saunders in a meeting on Monday that it would not seek to prevent the resignation of Guinness's merchant bank advisers, Morgan Grenfell, and its brokers, Cazenove and Wood Mackenzie.

After the pressure from the bank, which coincided with a request from the London Stock Exchange's quotations department to Guinness to clarify the changes, Mr Saunders spoke to Morgan Grenfell and agreed to modify his position. Cazenove is also believed to have pressed for a shareholders' meeting.

Under the new agreement, welcomed by the Bank last night, Guinness is to seek shareholders' approval for the appointment of Mr Saunders as group chairman and the Lord Iveagh as president. It is also proposing to appoint an unspecified number of unnamed non-executive directors on the new group board.

Lord Rockley, a director of Kleinwort Benson, merchant bank advisers to Distillers during the takeover battle, said last night: "Everything hinges on the ultimate composition

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Nixdorf beats IBM to $100m order from US retail chain

BY PETER BRUCE IN BONN

NIXDORF, the West German computer group, has won an order worth more than $100m from a big American retail chain, believed by US analysts to be Montgomery Ward, in a vital breakthrough in its efforts to become a force in the US computer market.

Mr Klaus Luft, Nixdorf's chairman, would not name the US customer during an interview yesterday, but he confirmed that an order "worth more than $100m" had been won against competition from IBM. The order is believed to centre on point-of-sales terminals. The customer, Mr Luft said, had nearly 400 outlets in the US.

Nixdorf's business in the US has until now consisted mainly of stand-alone data input terminals, and, industry analysts say, has not been profitable. The company has been trying hard recently to sell complete systems to customers in its specialised markets – banking and retailing – rather than simple pieces of hardware.

The approach appears to have finally paid off, and Mr Luft said the value of the new US contract, details of which would be announced later in the summer, divided roughly into equal hardware and service elements.

The sale, the company's biggest outside Europe, is likely to have a major impact on Nixdorf's profile in the US computer market. The company has been in the US for about 18 years but has, some reports say, just 1 per cent of the market. The Paderborn-based group is, nevertheless, the biggest non-American computer producer operating in the US and reckons that its 10 per cent sales growth there last year, and probably this year as well, is above the industry average in the US.

Nixdorf's vice chairman, Mr Arno Bohn, who is also in charge of the group's marketing operations, said the deal was also significant because it marked the end of Nixdorf's first "head on" competition with IBM in the US retailing sector.

Montgomery Ward, which yesterday refused to confirm or deny placing the order, is the sixth biggest American retail chain, with annual sales of around $1.3bn. Owned by the Mobil oil group, it has been losing money. Mobil recently installed new management at Montgomery Ward in the hope that it can be restored to financial health and, probably, sold.

Nixdorf is arguably the fastest growing computer producer in Western Europe, and it has, since 1982, begun to make major inroads into private telephone switching equipment markets as well. The company has vowed to double its 1983 sales revenue, DM 2.7bn ($1.24bn), by the end of next year.

Moscow ready to shake off Imperial bonds

By Peter Montagnon in London

BRITAIN and the Soviet Union agreed yesterday on a scheme that will finally settle mutual claims on each other going back to the Bolshevik revolution in 1917.

The move was seen in financial markets as a possible clearing of the decks ahead of a Soviet decision to tap the Eurobond market for the first time, although bond market bankers warned against speculation that any such issue would be forthcoming.

Mr Timothy Eggar, a junior Foreign Office Minister, said the agreement covered a bizarre list of claims on the British side, including compensation for British citizens over the loss of a parrot, a shaving stick, a sawmill, a horse, two cows and some poultry.

Documented claims by private British citizens on the Soviet Union amount to some £400m ($600m). Yesterday interest focused on about £50m in Imperial Russian bonds which have been in default since 1917 and are now mostly regarded as collectors' items.

About £45m will be available to meet the claims under the settlement signed yesterday by Sir Geoffrey Howe, Foreign Secretary, and Mr Eduard Shevardnadze, his Soviet counterpart. This means that claimants can expect to recover some 10 per cent of their assets, though this could vary as final figures are draw up.

Some claimants, Mr Eggar said, include well-known British companies which can expect a windfall from the settlement, though he declined to list them.

The funds which will be used to meet the settlement come from an Imperial Russian account at Baring Brothers, the merchant bank which handled the pre-revolutionary government's business. The Soviet side is to collect £2.65m from a separate Baring account used to handle diplomatic expenses.

Yesterday the Stock Exchange suspended dealing in 16 Imperial Russian bonds which are affected by the settlement. Most of them are rarely traded. One, the 4 per cent Rentes of 1894 has not changed hands since February 1969, although business was done in one issue – 4 per cent Consolidated Railroad Series 1 of 1889 – which sold at 3½ per cent of its face value last week.

British bondholders must present their bonds to the Government by the end of this year to qualify for

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UK and Soviet Union ratify trade pact, Page 4

First Interstate rescues major Oklahoma bank

BY WILLIAM HALL IN NEW YORK

FIRST National Bank and Trust Company of Oklahoma City, which has been hit by the collapse in the oil and gas industry, has been closed by US bank regulators, marking the second biggest bank failure in US history.

Oklahoma's second biggest bank was closed late on Monday after the bank was declared insolvent. It reopened yesterday morning as a newly chartered subsidiary of the Los Angeles-based First Interstate Bancorporation. The rescue of the $1.6bn bank was rushed through to take advantage of a federal law permitting out-of-state buyers to buy failing banks, which expired yesterday.

The failure comes almost four years to the day after US bank regulators closed Penn Square Bank of Oklahoma City, giving the first indication of the scale of the problems facing US, energy banks. Although First National Bank of Oklahoma City is three times as large as Penn Square, its closure had little impact on the US financial markets yesterday.

There was no apparent "flight to quality," as happened after the collapse of Penn Square, and Mr David Jones, a money market economist with Aubrey G. Lanston, said yesterday that the markets had "become hardened to the harsh realities of the disinflationary environment." He said that "the area is isolated and the problem isolated."

The latest casualty of the severe recession in the US oil patch is known to have been in trouble for some time, and has been borrowing heavily from the Federal Reserve Bank of Kansas City.

Mr Robert L. Clarke, the Comptroller of the Currency who is responsible for regulating nationally chartered US banks, said that "as a result of widespread and continuous adverse market publicity concerning the financial condition of the bank and its parent, market confidence in the bank has eroded, resulting in severe liquidity problems for the bank."

The bank was declared insolvent after it became unable to meet its obligations to its creditors.

First National Bank of Oklahoma City is Oklahoma's most prestigious financial institution, and is the biggest US bank to fall since the $3.6bn collapse of Franklin National Bank in 1974. Several other banks have run into problems in energy lending, but until now they have not been allowed to fall.

Seafirst Corporation was rescued by Bank of America after heavy losses in energy lending, and Continental Illinois, which like Seafirst had close ties with Penn Square, was effectively nationalised by the US Government.

At the time of the closure of Penn

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US bank results, Page 21

Paris woos industry to Normed zones

BY DAVID HOUSEGO IN PARIS

THE FRENCH Government is offering what it claims to be the most advantageous tax conditions in Europe to attract companies to invest in areas hit by the collapse of the Normed shipbuilding group.

Mr Alain Madelin, the French Industry Minister, yesterday announced that the Government would waive corporate tax over 10 years for companies setting up in industrial zones to be created at Dunkirk in the north and La Seyne and La Ciotat on the Mediterranean – the sites of the three Normed shipyards.

The new zones, which will be established by decree in the coming weeks, are seen by the minister as a prelude to the establishment of other zones comparable to those created at Shannon in Ireland and in Britain and Belgium.

Mr Madelin announced the creation of the zones as part of a costly redundancy plan for the 6,800 shipyard workers whose jobs are threatened by the collapse of Normed, which recently filed for bankruptcy.

The Government is to provide each worker with a capital grant of a minimum FFr 200,000 ($28,700) together with individual retraining programmes and help, if wanted, in setting up businesses.

Mr Madelin declined to put a figure on the cost of the programme though other ministers have spoken of FFr 7bn over three years. The details have still to be negotiated with the unions.

The industrial trade zones proposed for Dunkirk, La Seyne, near Toulon, and La Ciotat, near Marseilles, would also offer speeded-up

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London meeting marks thaw in UK-Soviet links

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN LONDON

BRITAIN and the Soviet Union yesterday consecrated a marked improvement in Anglo-Soviet relations with the signature of three agreements on economic and industrial co-operation, the settlement of mutual claims dating back to the 1917 Bolshevik Revolution and the prevention of incidents at sea.

The agreements were signed after two days of talks in London between Sir Geoffrey Howe, the Foreign Secretary, and Mr Eduard Shevardnadze, his Soviet opposite number, who was paying the first visit of a Soviet Foreign Minister to Britain for 10 years.

The talks, which ranged over the whole spectrum of East-West relations, with particular emphasis on arms control and preparations for the proposed US-Soviet summit, were said by officials to have been "very relaxed, constructive and detailed."

The officials detected a new flexibility on the part of the Soviet Union towards the ongoing conventional disarmament negotiations in Vienna and Stockholm.

There are now good hopes that an agreement on confidence-building measures can be reached in Stockholm by the middle of September, *which would improve the prospects* for the East-West European security review conference due to take place in Vienna later in the autumn.

The Soviet Foreign Minister repeated Moscow's suggestion that the Vienna-based mutual and balanced force reductions negotiations and the Stockholm disarmament conference *should be broadened* into a new forum at which the Warsaw Pact proposal for conventional disarmament from the Atlantic to the Urals would be discussed.

However Sir Geoffrey said in a luncheon speech that, before embarking on "the more ambitious terrain" mapped out by Mr Mikhail Gorbachev, the Soviet leader, the aim should be to bring existing negotiations to a successful conclusion.

The closing stage of the Stockholm conference would therefore be an important test, as would the Geneva negotiations on banning chemical weapons, where Britain yesterday tabled a new compromise proposal.

Among the continuing differences between Britain and the Soviet Union, Sir Geoffrey singled out the presence of Soviet troops in Afghanistan and "the differing conception of the importance of human rights."

UK offers compromise on chemical arms pact

BY WILLIAM DULLFORCE IN GENEVA

BRITAIN TRIED yesterday to unblock the chemical weapons negotiations in Geneva by *putting forward a compromise* on the crucial issue of challenge inspection. It offered an ingenious, balanced way of meeting Soviet security concerns while keeping the very strict verification mechanism demanded by the US, Mr Tim Renton, Minister of State at the Foreign Office, told journalists after addressing the UN conference on disarmament.

If the Soviet Union responded favourably and showed the political will, it should be possible to have a convention ready for submission to the UN general assembly in autumn 1987, he said.

So far, Moscow has refused to discuss the US demand that a *mandatory* obligation to allow inspection on challenge should be part of the convention. A country's sovereign right to refuse inspection had to be allowed, it has argued.

The US proposal would permit international inspectors to be sent to check "anywhere anytime" within 48 hours of one country challenging another with cheating on the terms of the chemical weapons convention.

The British compromise extends the time limit for the arrival of the inspection team to 72 hours but more importantly offers an alternative under which the challenged state could offer to supply information to satisfy the challengers within 10 days. This would provide — in very limited circumstance, Mr Renton stressed—right to refuse direct inspection on which the Soviet side has been insisting.

On the other hand, if a challenged country refused inspection and failed to satisfy its challenger in any other way, it would be seen as not complying with the convention. The outcome would then have to be "determined at the political level" by all the signatory states, the British proposal specifies.

Challenge inspection is additional to the routine procedures for verifying compliance which, it is agreed, must be included in the convention. It is seen by the US and its Nato allies as a mechanism for investigating any ambiguities and, above all, as a deterrent to cheating.

The British compromise proposal "puts the ball very much into the Soviet court," Mr Renton said yesterday. It came four days after the US had disclosed to the disarmament conference the locations of all its chemical weapon storage sites in the US and called on the Soviet Union to start being candid about its own stockpiles.

These moves are intended to accelerate the negotiations and to test public assertions by Mr Mikhail Gorbachev and other Soviet officials that the Soviet Union is ready to negotiate a ban on chemical weapons.

Mr Donald Lowitz, the chief US negotiator, hoped yesterday that the British proposal would induce the Soviet Union to "come forward and say where it stands on challenge *inspection*."

But, he added, the US continued to believe the right to inspection at short notice was needed to ensure compliance with the convention.

Gorbachev calls for US reply to N-weapons proposal

BY OUR MOSCOW CORRESPONDENT

THE SOVIET UNION made clear yesterday that it was waiting for the US to respond to its proposals on limiting nuclear arms before deciding whether to extend its moratorium on nuclear tests.

Mr Mikhail Gorbachev told representatives of a scientists group demanding a halt to nuclear testing that he would consider their request to extend the moratorium—already prolonged three times—beyond its expiry date of August 6. But this depended to a large extent on US actions over disarmament.

His warning came as officials in Moscow and Washington *confirmed the two countries'* arms-control experts will meet in Geneva soon to discuss the Salt-2 treaty. President Ronald Reagan has threatened to abandon the treaty if the Soviet *Union does not stop what he* alleges are violations of the 1979 accord.

Mr Gennady Gerasimov, the Foreign Ministry spokesman, said yesterday that Moscow welcomed such a meeting. But he made clear that the Kremlin was far more interested in Mr Reagan's response to Mr Gorbachev's proposals last month on cutting strategic and medium-range nuclear weapons. "We are waiting for that letter," he said.

Dr Thomas Cochran, head of a private group of US scientists which installed seismic monitoring equipment near a Soviet nuclear testing site last week, told Mr Gorbachev that their programme demolished White House arguments that a full ban on nuclear tests could not be verified.

Mr Gorbachev, in a general attack on US arms policies, replied mockingly that the Soviet Union was waiting for the next *argument against a test ban.* He said that agreement on a joint nuclear test ban was one of two arms control accords—the other is reducing medium-range nuclear missiles—that could pave the way for a superpower summit.

Mr Gerasimov said yesterday that progress has been made in diplomatic negotiations to reschedule a meeting between Mr George Shultz, the US Secretary of State, and Mr Eduard Shevardnadze, the Soviet Foreign Minister, to prepare the summit. He gave no details but indicated that any agreement on such a meeting—which could be held when Mr Shevardnadze attends the United Nations General Assembly in September—would not come until Mr Reagan responded to Moscow's arms control proposals.

Reginald Dale, US Editor, adds from Washington: The US is expected to seek to broaden the agenda for the proposed meeting in Geneva by raising alleged Soviet violations of the Salt 2 treaty, such as the development of a second new strategic missile and concealing missile test data. Washington is also understood to have told Moscow that it does not want the meeting to become a propaganda vehicle for Soviet criticisms of Mr Reagan's decision to be bound no longer by the treaty's limits.

US agreement to the talks represents a defeat for Administration hardliners, particularly in the Pentagon, who wanted to reject the Soviet proposal for a special meeting later this month of the Joint Standing Consultative Commission, which considers arms control complaints.

Other US officials, however, argued that acceptance would send a positive signal to Moscow about Mr Reagan's determination to make progress on arms control and his desire for a *second summit with Mr Gorbachev* in the months ahead.

Although the meeting is not expected in Washington to make much progress on the Salt issue, US officials said that rejection of the Soviet request would have given Moscow a propaganda advantage. The meeting could also prove a useful forum for clarifying Mr Reagan's position *and for listening to Soviet* responses to US charges that it had violated the treaty, they said.

FORMER US President Richard Nixon spent two and a half hours discussing Soviet-American relations with President Andrei Gromyko in the Kremlin yesterday, AP reports. Earlier in the day, he spent about 15 minutes with Mr Georgy Arbatov, a top Kremlin adviser on the United States and head of the prestigious Institute on the United States and Canada.

Commission sleuths hot on EEC travel trail

By Paul Cheeseright in Brussels

NINETY FOUR per cent of Luxembourgers who go on holiday travel abroad. But then, it is difficult to imagine where else they would go. Still, not everybody knows that.

And not everybody knows that 70 per cent of Greeks who go on holiday spend their time at the seaside. Then again, there is an awful lot of coastline in Greece. And, surprise, surprise, those who live on the periphery of Europe—the Irish and the British—often fly when they go on holiday abroad.

For these titbits of information, a waiting world is indebted to the European Commission — DG-VII/B/3 (Tourism Service) to be precise.

For the very first time, thanks to this service, there is now, as the Commission puts it, "at the level of the twelve states of the European Community, information on the number, profile and behaviour of holidaymakers." Not only that, there is information about people who do not take a holiday.

Today, it is possible to say without equivocation that, on *the basis of a survey of 11,840* people throughout the Community, those who cannot afford it do not go on holiday.

Within that simple fact, where the Commission has managed unerringly to *quantify* the obvious, the whole problem of economic disparities in the Community is laid bare.

Those who can least afford to go away, or who do not want to go away, are the Irish and the Portuguese. And those most inclined to take an annual holiday live in the Netherlands and Denmark. But it is the French who go away the most, showing the strongest tendency to take more than one holiday.

There is another wider point. The survey results can be *turned into a massive justification* of the common agricultural policy, a telling argument for switching resources into the countryside.

Nearly two-thirds of those living on a farm or in an isolated country house did not go on holiday last year. And three-quarters of farmers and fishermen—where they were the head of household—never got away.

All of this is useful information. The Commission says so. It promises that it will take the survey finding into *account* as it *develops* its tourism policy. It sees itself, for example, as a guidebook published, co-ordinator of a hotels classification system—nearly a third of Community holidaymakers stay in hotels and guest-houses—and protector of the traveller.

Certainly, says the Commission, the information will be of greatest interest to the professionals in the sector. It is right. Because, if one thing is clear it is that holidaymakers try to avoid the professionals—threequarters of *them make their own arrangements.*

More than two-thirds of them like to travel by car—especially the French, who try to stay in other people's homes if they can.

There is another cautionary note for the professionals. Only just under a third of Community holidaymakers are going to move outside their own national borders.

And a final cautionary note for the politicians. Any of them thinking of fighting an election on an anti-terrorist ticket *probably need to think twice:* Only about one European in a hundred lets terrorism interfere with holiday choices.

Hungary says fifth of workforce is redundant

BY LESLIE COLITT IN BERLIN

ABOUT ONE in five employed Hungarians – 1m people – is actually "redundant," according to the main Government newspaper Magyar Hirlap.

Although over-manning is endemic in Eastern Europe, such an admission is rare. It came after statistics were released in Budapest showing that wages rose nearly 9 per cent in the first six months while labour productivity increased by only 3 per cent.

The newspaper said the situation *could not continue "for long"* before the balance would collapse between money in circulation and the supply of goods and services.

The alternative was that already high inflation (officially 5.5 per cent but unofficially more than twice as high) would accelerate and further undermine confidence in Hungary's wider-ranging economic reforms.

Magyar Hirlap said labour discipline was lax although there were *few other countries* where the population worked such long hours as in Hungary. The reason is that many Hungarians are employed in second and third jobs where they work harder and earn more than in their regular employment.

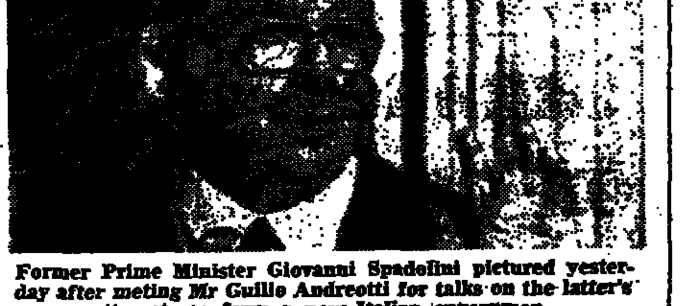
Share prices decline by 1.6% on Milan bourse

BY ALAN FRIEDMAN IN MILAN

ITALY'S Government crisis, now in its third week, yesterday continued to depress share prices on the Milan bourse. The main share index fell 1.6 per cent on the third consecutive day of price declines. The index closed at 656.60.

Since last Friday morning, when the Socialist Party announced it would refuse to join a government led by the Chirstian Democrats, about $8bn (£5.3bn) has been knocked off the market capitalisation of the Milan bourse, which now stands at about $100bn.

Business leaders are issuing urgent appeals for a resolution of the Rome crisis, which began on June 27 with the resignation *of Prime Minister Bettino Craxi* after a parliamentary defeat.



Former Prime Minister Giovanni Spadolini pictured yesterday after meting Mr Guilio Andreotti for talks on the latter's attempts to form a new Italian governmen.

Dollar's fall 'threat to German exporters'

By Rupert Cornwell in Bonn

THE LATEST fall of the dollar to *below DM 2.20 poses a serious* threat to West German exporters, both in the US and in Third World markets where German and US manufacturers compete, the Federation of West German Co-operative Banks warned yesterday.

In its latest monthly report the federation, which represents some 3,900 banks throughout the country *catering primarily for small* and medium industry, notes that the breach of the psychologically important DM 2.20 barrier opens the way to a further decline, which would be *"thoroughly undesirable"* for the West German economy.

However, the federation stops short of adding its voice to calls from the US and elsewhere for the Bundesbank to follow the Washington authorities in cutting key interest rates.

While it disputes the need for any increase in West German rates, arguing that the present money supply overshoot offers no real threat to the Government's stability programme, the federation insists that fighting inflation must remain a top priority.

It expects a slight pick-up in inflation from its existing sub-zero level to reduce the current exceptionally high level of real interest rates here in the months ahead.

Forecasts for 1986 suggest the trade surplus could climb to as high as DM 115bn ($52.6bn). But in volume term exports are already falling, as the steady revaluation of the D-Mark eats into the foreign competitiveness of German industry.

Malta plans $444m investment drive

BY GODFREY GRIMA IN VALLETTA

MALTA will invest LM 172m ($444m) in the next three years to spur its economy out of its prolonged depression.

A three-year economic development plan published today by the Government of Premier Carmelo Mifsud Bonnici promises to deal efficiently with problems that include a creaking infrastructure, while offering seriously to support private investment in tourism and manufacturing industry, the island's main income earning activities.

The plan clearly shows *Mr Mifsud Bonnici* to have turned his back on the fustian political, economic and social targets laid down by his predecessor, Mr Dom Mintoff, *throughout* the past 14 years *of Socialist* rule.

Investors will be offered a new incentive package, start-up and expansion assistance, export credit and credit insurance schemes and Government-sponsored offices abroad to facilitate contacts. A National Progress Council in which private sector interests and trade unions will partner the Government is also being set up.

Misguided policies at home are as widely blamed as fierce world market forces for bringing the island's economy to a standstill in recent years.

Mr Mifsud Bonnici's government plans to spend LM 60m between now and 1988 on creating new jobs. Major roadway improvement programmes are being launched, 40 new factories are to be built, and new yacht marinas are to be constructed to enhance Malta's attraction as a tourist resort.

Malta also lags behind in attracting hi-tech industries. To make up for lost time *Mr Bonnici's* administration is to initiate intensive manpower training programmes in technological skills.

Malta's foremost problem *remains its acute water and electricity* shortages, which is frustrating both for those involved in tourism and for the majority of the Maltese. With housewives demonstrating in protest in the streets of Valletta, water shortages in particular threaten to have a telling effect on next year's general election results.

By featuring water and electricity distribution improvements in the plan's action programme, the Government hopes to placate both investors as well as voters.

Madrid stops work to mourn victims of Basque terrorism

BY TOM BURNS IN MADRID

WITH the nation still reeling from the impact of Monday's car bomb blast in Madrid which killed nine members of the Civil Guard police corps, the Spanish parliament met yesterday for the first time since last month's elections to choose *speakers for the* congress and the senate.

The meeting of the legislature was further overshadowed by a split in the ranks of the Conservative *opposition.* The Christian Democrat junior partners in Mr Manuel Fraga Iribarne's Coalicion Popular announced that they would sit separately in both chambers from the Conservative and Liberal factions of the opposition group.

Voting to elect parliamentary officers was interrupted by one minute's silence in honour of the *victims* of the car bomb. Outside in the streets of Madrid traffic came to a standstill and office workers poured out onto the pavements to stand motionless at the stroke of *noon in response* to a call by the city's mayor for a civic show of protest against terrorism.

The scene was different at the end of the funeral for the slain guardsmen. An angry crowd more than a 1,000 strong chanted right wing slogans outside the Civil Guard headquarters where the ceremony was held and pelted the cars of officials, who were leaving the funeral with coins. Police had to use batons *to clear the street.*

Suggestions in newspaper editorials that Mr Jose Barrionuevo, the Interior Minister, should stand down for failing to trap the so-called *Spain Commando* of the ETA Basque separatist organisation that was responsible for Monday's carnage were countered by his cabinet colleague Mr Narcis Serra, the Defence Minister, who said yesterday that the Government was satisfied that its anti-terrorism policy was the appropriate one.

Since the beginning of this year the Spain Commando, which apparently lives permanently in Madrid, has claimed a total of 19 victims in the city. It has machine-gunned two military staff cars, detonated two car bombs and *narrowly failed to* assassinate the head of the Spanish judiciary.

Police have so far been unable to trace the separatists in Madrid who allegedly have a highly sophisticated infrastructure of information networks and safe houses and are in close touch with ETA's high command.

Mr Fraga, the opposition leader, said yesterday that he will be seeking a range of tougher measures against terrorism when parliamentary sessions commence next week.

Mr Felipe Gonzalez, the outgoing Premier *whose Socialist Party* won a renewed outright majority in the June 22 polls, has first to complete the constitutional formalities of consultations with King Juan Carlos before he can initiate an *investiture* debate that is scheduled for next Tuesday.

Mr Gonzalez will be benefiting from a more divided opposition as a result of the dissident *position* adopted by the Christian Democrat Partido Democrata Popular (PDP). The PDP's 21 congressmen and 11 senators, who were elected on Mr *Fraga Iribarne's Coalicion Popular* ticket last month and now say their campaign colleagues are too conservative, wish to form a separate parliamentary group.

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Pressure continues to grow for sanctions against South Africa

BY OUR FOREIGN STAFF

COMMONWEALTH pressure on Britain and other Western countries to impose sanctions on South Africa continued to gather force yesterday, although Sir Shridath Ramphal, the Commonwealth Secretary-General, urged Commonwealth nations to reach a compromise on economic measures against South Africa which would fall short of full economic sanctions.

India yesterday deferred a decision on whether it would participate in the Commonwealth Games in Edinburgh, saying that it would wait and see what happened at the African front-line states conference in Harare on Friday.

The Indian contingent to the Games was due to leave for Edinburgh yesterday, but its departure has been delayed until at least July 20 on Government orders. By then, the attitude of the African states should be known. It seemed very much last night as if India would boycott the Games.

When the African states position is known, India will make a final decision. After this, India is expected to take up the question of putting further pressure on Britain for some kind of action against South Africa.

Among the front-line states, Zimbabwe appears increasingly likely to join the boycott. This follows the publication yesterday in the country's leading newspaper of an editorial endorsing the pull-out of Nigeria and four other African countries.

The Herald, which usually reflects Government thinking forecast that the games would be a "resounding flop."

Swaziland will send a team to the Games. Mr Abner Tember, a Government spokesman, said Swaziland—an enclave surrounded by and dependent economically on South Africa—would participate in the so-called "friendly games" because it did not support economic sanctions against Pretoria.

Meanwhile, leaders of seven east and central African countries issued a strong condemnation of South Africa and sharply criticised Britain, US and other European nations for dragging their heels over the imposition of comprehensive sanctions against South Africa.

The communique was issued in Nairobi at the conclusion of a two-day summit attended by leaders of Kenya, Uganda, Tanzania, Burundi, Rwanda, Zaire and Sudan. The regional meeting was the third to be held this year. They were introduced to foster economic cooperation in the area and co-ordinate a more forceful stance on issues such as the dismantling of apartheid in South Africa.

Kenya has also withdrawn a set of five stamps commemorating the Commonwealth Games.

● The boycott of the Commonwealth Games by some African nations was regrettable but understandable, Mr Bill Hayden, Australia's Foreign Minister, said yesterday, AP reports from Canberra.

"I think on the one hand that it's understandable but (on the other) it's a shame," Mr Hayden said.

"I'm not keen about penalising a lot of innocent sports people but I can understand the reaction at the present time when the black people of South Africa are suffering untold misery and discrimination because of apartheid and the refusal of the Government there to do anything about it."

US, Soviet Union 'in sharp exchanges'

By Reginald Dale in Washington

PAKISTAN'S NUCLEAR programme has led to some tough talk by the US and the Soviet Union in the past month, with Washington warning Moscow to keep its "hands off" Pakistan, the Washington Post reported yesterday.

The US message to Moscow was provoked by a direct and unusually sharp Soviet warning to Pakistan about its nuclear activities, including a charge that the Pakistanis are on the verge of constructing a nuclear bomb, the paper said. Moscow told Pakistan that it would not tolerate such a development.

While Moscow has frequently warned the Islamabad Government to stop the flow of US covert aid to the Afghan rebels, most of which passes through Pakistan, it had not hitherto devoted great urgency to the nuclear issue, the Post said. The US responded to Moscow with what was described as an "extremely grave" reiteration of its commitment to Pakistan's security.

Nevertheless, Pakistan's nuclear programme could also pose problems for Washington in the months ahead. Admiral John Poindexter, the National Security Adviser, is reported to be concerned that the Administration may not be able to certify to Congress in October that Pakistan does not "possess" a nuclear weapon, a condition for continued US assistance to Pakistan under a new $4bn aid programme.

Mr Shiv Shankar, the Indian Foreign Minister, is believed to have complained vociferously about the Pakistani nuclear programme when he visited Moscow last month, possibly triggering the Soviet warning to Islamabad.

John Elliott reports on the objects of the Prime Minister's visit to the US

Junejo tries to polish Pakistan's image

PAKISTANI Prime Minister Mohammed Khan Junejo arrives in the US today for a six-day official visit intended to enhance his personal image and strengthen the standing of his Government, which is being challenged by Miss Benazir Bhutto, leader of the country's main opposition party.

This is Mr Junejo's first foreign tour since he emerged from relative obscurity to become Prime Minister 15 months ago when he was chosen by President Zia ul-Haq, then the military ruler, to head the country's first elected Government since 1977.

No important initiatives or policy decisions are expected during the visit apart for the possible signing of an extradition treaty which the US hopes will strengthen the two countries' attacks on South Asia's narcotics trade.

The US wants to show its recognition of Pakistan's moves towards a form of parliamentary democracy, and the Pakistan Government wants to demonstrate at home and abroad that there is an elected Prime Minister in charge of the Government, even though President Zia remains Head of State and Chief fo Army Staff.

The balance of power between the two men is a subject of constant debate in Pakistan. Ministers and senior civil servants claim that key files now go to Mr Junejo, not President Zia, and that important decisions are taken by the Cabinet, despite the existence of the President and his fellow top generals. "It is my Government, and the generals have nothing to do with it," Mr Junejo said in an interview.

But Mr Junejo, a man of few words, has yet to build a reputation as an active and successful Prime Minister. President Zia, who paid an official visit to the US in 1983, clearly still wields supreme overall power. So Mr Junejo's visit is important simply because it is taking place and gives him an opportunity to project himself as the guest of President Ronald Reagan.

Mr Junejo: first tour

The two countries are mutually dependent on each other following the Soviet Union's invasion of Afghanistan in 1979. Pakistan is, in US eyes, the buffer state against further Soviet advances. For Pakistan, the US is a consequential provider of a lot of aid for economic and defence development. A $3.2bn, six-year aid agreement introduced after the Afghanistan invasion ends next year and will be replaced by a $4.02bn, second six-year package.

The US will continue to urge Pakistan, which it suspects is moving towards acquiring a full nuclear weapons capability, to sign the Nuclear Non-proliferation Treaty and accept full safeguards.

Pakistan says it will not make these moves without concurrent moves by India.

The US also wants Pakistan to launch a public relations campaign to win popular support for combatting the narcotics trade. Pakistan has been a supplier and trading route for narcotics for some years and is now suffering domestically, with its total number of drug addicts mushrooming to an estimated total of over 300,000.

Economically, the US is important because it is Pakistan's second largest trading partner, running slightly behind Japan but might move into first place because of the decline in the value of the dollar against the currencies of Pakistan's other leading trading partners. In 1984-85, Pakistan's imports from the US totalled $730m and its exports to the US were valued at $260m.

Mr Junejo will urge the US to relax protectionist trading arrangements to help Pakistan's textiles trade, which makes up about half its exports to the US.

But the success of such ventures and other economic development depends on political stability, and that is threatened at present by the strident calls by Miss Bhutto, doughter of the late Prime Minister, for early elections.

The US believes that, in the interest of continued peaceful and gradual political development, the present Government should, if possible, run its full term to 1990. It is demonstrating this by giving Mr Junejo the full pomp and ceremony of an official visit.

Netherlands drops proceedings against nuclear scientist

BY SIMON HENDERSON

THE controversial Pakistani scientist Dr Abdul Qader Khan has been told by the Dutch authorities that there will be no further proceedings against him over his work in the 1970s at an experimental uranium enrichment plant in the Netherlands.

Dr Khan now heads his own enrichment plant in Pakistan, which is suspected of being at the centre of a possible effort by the country to develop a nuclear bomb. He was sentenced in absentia to four years' imprisonment by a Dutch court in 1983 for an alleged attempt to obtain classified information from a former colleague in the Netherlands. The sentence was cancelled on appeal last year because Dr Khan was not properly served with a summons.

The Dutch decision not to re-open the prosecution was made because it was more than 10 years since the alleged offence and any new trial would take a long time. Contacted by telephone at his home in Pakistan's capital, Islamabad, Dr Khan played down the significance of the decision, saying that the charge against him never had any basis.

Dr Khan has always denied allegations that he solicited secret information relating to high-speed centrifuges used to enrich uranium. He also denies that Pakistan is trying to develop a nuclear bomb.

In his first interview with a foreign journalist, Dr Khan said that Pakistan had designed its own type of centrifuge from which he had developed a second model. He refused to say how many centrifuges were at his plant at Kahuta, outside Islamabad.

Thousands of centrifuges, connected by a complicated pattern of pipework, are needed to enrich the percentage of uranium-235, which occurs in less than 1 per cent of natural uranium. Up to 5 per cent enrichment is useful for nuclear power reactors; atomic bombs need 90 per cent uranium-235.

Dr Khan noted that President Zia ul-Haq had made a commitment to the US not to enrich beyond 5 per cent and said "we are keeping to it." Western diplomats believe that some uranium at the plant has been enriched beyond 30 per cent.

Pakistan's only civil power reactor uses natural uranium as a fuel so there is not yet any requirement for the output from Kahuta. Dr Khan said that, because of this, Kahuta was also being used for lots of other things, "some defence work, some work with universities, and developing mini- and micro-computers." The Kahuta plant is not subject to international safeguards and inspections.

Dr Khan himself has been spending much of the last six months planning the establishment of an engineering university in Pakistan. He is a member of a committee which is meeting this week to chose a site. In the future, he might become more involved with this university, he said.

The decision not to press further with any charges against Dr Khan in effect ends one of the most embarrassing episodes in recent Dutch international relations. The British and West German Governments, which still collaborate with the Dutch on civil enrichment technology, were furious that there might have been a security lapse at the Almelo plant. Along with the US, they suspected that the Pakistani work on enrichment could be intended for nuclear weapons.

Abe calls for 'second opening' of Japan

By Ian Rodger in Tokyo

THE JAPANESE people must change radically their relations with the rest of the world, according to Mr Shintaro Abe, Japan's Foreign Minister and a leading contender to succeed Mr Yasuhiro Nakasone as Prime Minister.

In a preface to the Japan Foreign Ministry's annual policy statement (Blue Book) published yesterday, Mr Abe compared the country's current challenge to the overthrow of fuedal rule and the opening of contacts with the outside world in the mid-19th century.

What was needed today, he said, was "the second opening of the country" to achieve "a socioeconomy more harmonious with the international economic environment."

Mr Abe, who has just been named leader of the largest faction within the ruling Liberal Democratic Party, re-assured his countrymen that such an opening would be "in no way detrimental to the features that characterise Japanese society and culture, especially not to the advantages and virtues of its largely homogeneous people."

However, the Blue Book itself pointed out that being more open entailed "A receptivity to foreign goods and ideas, or what may be called an internationalisation within." It called on the Japanese people to be more broadminded and tolerant.

The statement joined the chorus of calls in recent months for Japan's economy to become less dependent on exports. "There can be no lasting peace and prosperity for Japan without a harmonious relationship with the international community," it said.

The statement said Japan would step up its official assistance to developing countries. "Yet aid alone is not enough. It is extremely important for Japan to develop a relationship with the developing world based upon a new division of labour by further opening its markets to products from the developing countries and promoting private direct overseas investment and its accompanying technology transfer."

Relations with neighbouring Asian countries, some of which were occupied by Japan during the Second World War, should stress "people to people and heart to heart contacts." It was urgent to support the new Philippine Government as much as possible.

Mubarak seeks European help

PRESIDENT Hosni Mubarak of Egypt plans to visit London, Paris and Bonn this week to seek support for tackling the country's economic problems, Western diplomats told Reuter in Cairo yesterday.

They said he was likely to ask for help in obtaining softer conditions if Egypt, as expected, formally asks the International Monetary Fund (IMF) for standby credits of about $1bn.

Philippines and IMF to start debt talks

BY CHRIS SHERWELL IN MANILA

CRITICAL talks start in Manila today between the Philippines Government and the International Monetary Fund on the terms of an 18-month stand-by credit worth up to SDRs 615m (£492m).

The outcome will dictate the degree of austerity which the new government of President Corazon Aquino will apply in its domestic economic policies. It will also help decide the terms of any further rescheduling of the country's $26.3bn external debt, the second largest in Asia after South Korea.

At stake in the talks, say officials and diplomats, is the Government's continued popular support as it presses for economic expansion to counter an intensifying communist-led insurgency. The country faces minimal growth this year after two successive years of contraction.

The economic programme which will be linked to the IMF credit will replace one which ended with the fall of President Ferdinand Marcos in February. A total of SDR 212m remained undrawn under that agreement.

Before granting a new facility, the IMF will want agreement with Manila on fiscal and monetary targets and ceilings. The most important matter is the budget deficit, currently estimated to have swollen to Pesos 27bn (£905m) for 1986, or about 4 per cent of gross national product.

Also on the agenda will be a freer float of the peso, tax reforms to raise revenues, lower import tariffs and the sale of non-performing assets under a privatisation programme.

Apart from Mr Jaime Ongpin, Finance Minister, and Mr Jose Fernandez, the Central Bank Governor, the Philippines team is likely to include Mrs Solita Monsod, the Economic Planning Minister. She surprised an audience of businessmen in Manila on Monday by saying openly that the Philippines only needed the credit to comfort its 483 commercial bank creditors.

Mrs Monsod has previously upset bankers by speaking of "selective repudiation" of the country's debt, a term now modified to "case-by-case disengagement." This apparently means that the Government will try to negotiate or litigate loans which it regards as illegal or unjust.

Bankers are also concerned by Mrs Monsod's insistence that the country will only pay according to its ability—believed to mean around 70 per cent of debts falling due—in order to secure a substantial economic growth rate.

At this point neither stand seems likely to help the Philippines negotiate a rescheduling of debts falling due from next year, nor reduced margins on its outstanding debt. Bankers may also be unwilling to stretch out repayments under the laboriously negotiated rescheduling arrangement agreed early last year.

Under that arrangement, a total of some $6.3bn in debt due between 1983 and 1986 was rescheduled. The banks put up $925m in new money and a $3bn trade facility.

The $925m credit was less than two-thirds drawn down when its availability ended on June 30. The creditor banks failed to agree on a six-month extension, and some smaller ones have already sold off their loans at a discount in frustration.

As for the trade facility, which expires at the end of the year, only about half has so far been used. With the Government's 33-month-old moratorium on debt principal repayments also ending on December 31, the end of the year is emerging as a critical deadline for a new agreement with the banks.

Hong Kong protests mount against Chinese N-plant

BY A SPECIAL CORRESPONDENT IN HONG KONG

PEKING'S plans to build a nuclear power plant just 40 miles from the heart of densely populated Hong Kong have prompted unprecedented public opposition in the colony.

Protests against the plant — to be built at Daya Bay in the Shenzhen special economic zone in China's Guangdong province — have spread rapidly following the Soviet nuclear accident at Chernobyl in April.

A broadly based and well drilled anti-nuclear lobby, involving local politicians, church figures, teachers, trade unions and conservation groups has so far collected more than 500,000 signatures on petitions against the $3.5bn Hong Kong-China venture in just over a month.

The main concern of the campaign is that no provisions have been made for evacuating any of the territory's 5.5m inhabitants should a nuclear emergency occur.

The depth of opposition to the plant, which has clearly taken the Hong Kong Government by surprise, is increasingly being seen as a test of Peking's willingness to listen to public opinion in the territory. Hong Kong reverts to Chinese rule in 1997 but Peking has pledged it will have substantial political and economic autonomy under a "one country, two systems" constitution.

Officials in Hong Kong believe the controversy has become a political issue which could lead to a crisis of confidence in the future of the colony and upset the delicate relationship emerging between the mainland and Hong Kong. They plan to mount an information campaign on the Daya Bay project in an attempt to soothe public fears.

AMERICAN NEWS

Mexico closer to agreement on IMF package

BY STEWART FLEMING IN WASHINGTON

MEXICO and the International Monetary Fund (IMF) are movin gtowards an agreement on a new financing package as a result of talks in Washington this week between Mr Gustavo Petricioli, the Mexican Finance Minister, and the international lending agency.

Officials in Washington said yesterday that an analytical framework for an agreement which *could eventually trigger* the release of some $1.5bn (£993m) of IMF funds to the central American country has been settled. But several major obstacles remain to be negotiated including the tricky task of putting specific numbers on the economic targets which Mexico must agree ta aim for.

Both the IMF and Mexico appear to have adopted more flexible positions after a period when it seemed that the *negotiations* were drifting in troubled waters. The IMF is understood to have accepted that in agreeing economic targets it would take into account *specifically the adverse impact* of the plunge in oil prices on government revenue and therefore its budget deficit.

It appears that in principle it has been accepted too that an effort should be made to try to insulate Mexico from further oil price declines by an agreement to provide additional funds should this be necessary. If oil prices rose substantially however the Mexico would be expected to repay some of its borrowings. It was unclear yesterday however who would provide this compensatory finance although it appeared that commercial banks could be expected to contribute.

The IMF is also understood to be willing to take into *account the adverse impact that* high domestic interest rates are having on Mexico's budget deficit in calculating deficit targets. This is something the *international lending agency* has done previously in Argentina and Brazil for example.

Any agreement between the IMF and Mexico would have to await a commitment from the commercial banks to put in their share of the new funds Mexico is expecting to obtain. Hitherto officials have suggested that commercial banks might be expected to contribute some $2.5bn over a one year period.

Now it seems the banks may be asked to increase their lending beyond this level and also to enter into a longer term lending commitments. Securing agreement from the hundreds of Mexican bank creditors to a new lending package promises to be one of the most difficult aspects of the negotiations.

US industrial output falls 0.5% in June

US industrial production fell 0.5 per cent in June after a revised 0.4 per cent May decline and was 0.2 per cent below its level of a year ago, according to the Federal Reserve Board, Reuter reports from Washington.

The Fed revised May's figure upward from a 0.6 per cent decline reported previously. It also revised April upward to show a 0.6 per cent rise instead of the 0.4 per cent gain reported earlier.

The Fed said about one-half of the June decrease was due to strikes affecting output of business equipment, construction supplies and durable materials, but it said autos and transport equipment showed significant gains.

Durable consumer goods gained 0.1 per cent in June after falling 2.4 per cent in May and were up 1.4 per cent from a year ago.

Output of non-durable consumer goods fell 0.2 per cent in June after rising 0.2 per cent the previous month

Meanwhile, US retail sales increased $185m, or 0.2 per cent, in June to a seasonally adjusted $118.7bn, the Commerce Department said.

Mexican protesters block Texas border

By David Gardner in Mexico City

RIGHT-WING opposition demonstrators protesting against ballot rigging in Mexico's July 6 Chihuahua state elections clashed with police on Monday night as they blocked frontier traffic between the border towns of Ciudad Juarez and El Paso, Texas.

The clash came as local election authorities announced a virtual clean sweep in the vast north Mexican state for the ruling Institutional Revolutionary Party (PRI), with 57 per cent of the vote against 33 per cent for the Reaganite National Action Party (PAN).

This margin gives the PRI the key office of the governorship, all 14 seats in the state legislature, and control of 65 of the state's 67 municipalities.

At face value, the Mexican regime's victory in Chihuahua would have to rank as one of the great turnarounds in the *history of elections.* At the previous election three years ago the PRI lost 10 of the state's townhalls, seven of them to the PAN (including *Juarez and the state capital,* Chihuahua), which contain over 70 per cent of the 2.5m population. Party officials had still privately regarded the *state as lost in the latest* elections.

But in 57 years of continuous rule the PRI has never let a state government go, and on July 6, numerous instances of voting irregularities—centring on the stuffing of ballot boxes and the parallel exclusion of accredited opposition vote monitors—were witnessed

The response by PAN, backed by the Catholic Church, sectors of business, the independent Left and sympathetic civic groups, has been to hold mass rallies, block roads, and boycott pro-PRI businesses and media—in an attempt to make the State ungovernable.

In Juarez border traffic was blocked for nearly two hours as some 5,000 Panistas took over the two bridges linking the city to El Paso. Four people were injured as police used clubs and fired in the air in a failed attempt to clear a path. Army reinforcements arrived shortly afterwards but chose to negotiate

Wall Street may fund $2bn private shuttle

BY PETER MARSH

DREXEL BURNHAM LAMBERT, a high-flying Wall Street bank known for its financing of difficult ventures, has been enlisted in an ambitious bid to raise $2bn (£1.3bn) for a private-sector space shuttle.

The bank is advising Pittsburgh-based General Space, a company which wants to construct the vehicle to replace Challenger, one of the National Aeronautics and Space Administration's fleet of four shuttles which exploded in January, killing seven astronauts.

Drexel Burnham is best known for its role in arranging "junk bonds"—techniques to fund entrepreneurial schemes that might have difficulty raising cash by more orthodox banking channels.

Since the Challenger disaster, which was followed by accidents involving two conventional US satellite launchers, the US space programme has come virtually to a halt. This week, Nasa told President Ronald Reagan that, pending design improvements, the remaining three shuttles are unlikely to fly again before 1988, a serious blow to US capabilities to lift into space military and commercial satellites.

Replacing Challenger with a vehicle built not with taxpayers' funds but with cash raised privately is under serious consideration at Nasa and in the White House. The scheme would reduce the strain on the federal budget, and by injecting a dose of *private enterprise into the launcher business* the move could add momentum to the flagging space programme.

Under the proposal by General Space, a subsidiary of Maryland-based Astrotech International, Wall Street would provide the $2bn for the new shuttle which General Space would own. It would then lease the craft to Nasa, which would operate it in the same way as the three existing shuttles.

As part of the deal, General Space, which has recruited as president Mr Richard Smith, the ex-head of Nasa's main shuttle launch base at the Kennedy Space Center in Florida, would be responsible for marketing rides into space using all four carriers.

The company has canvassed its ideas among US government agencies, including Nasa, and says the scheme has been received favourably. President Reagan still has to decide on the general question of a replacement for Challenger and also on the role for the shuttle fleet in the future.

One possibility is that, due to the queue of payloads awaiting a ride into space on the shuttles, the vehicles could be kept exclusively for military and scientific payloads, leaving commercial communications satellites to be lifted into space by expendable rockets such as the US's Delta and Atlas-Centaur and by Arianespace, a company in Paris.

Mr Barry Ridings, a managing director of Drexel Burnham, said he was confident his bank could raise the $2bn privately and organise a satisfactory leasing scheme that would remove the costs of building a new shuttle from the federal budget. "We see a lot of opportunity for the financing of space activities," said Mr Ridings.

Record trade surplus for Brazil

BY IVO DAWNAY IN RIO DE JANEIRO

BRAZIL yest erday reported a record half-year trade surplus of $6.15bn (£4.1bn) against $5.44bn for the same period last year. Over 12 months, the account showed a $13.19bn surplus.

The result leaves Brazil well on course to surpass the $12.5bn surplus originally forecast for 1986, leaving ample resources to cover liabilities on its $104bn foreign debt leaving a possible current account surplus of over $1bn.

Officials of Cacex, the Government's trade agency, attributed part of the result to the fall in international oil prices and increased internal output, which cut the country's import bill by $5.09bn, or 41.5 per cent of the total imports bought in during the same six month period last year.

A good domestic wheat harvest also reduced costs, saving some $244m, a decline of more than some 70 per cent on last year's wheat bill. The saving on food and oil allowed an increase in imports of other goods, in particular machinery and industrial equipment, up 44 per cent in the period.

Total imports rose from $3.18bn to $4.47bn, with the oil component down by some $563m. Coffee exports generated an increased sale, worth $30m, and exports as a whole rose 14 per cent.

The continued strength of Brazil's trade surplus comes as welcome news to the Government, which has just reported disappointing inflation figures showing a 1.27 per cent rise in June.

Economists had been predicting that inflation would fall back to under 1 per cent for the month, as efforts to consolidate the anti-inflationary Cruzado plan, launched last February continue.

The inflation figures, together with oGvernment measures to squeeze credit, have pushed up interest rates. Banks' certificates of deposit and letters of exchange are now attracting interest rates of 30 per cent for large corporate clients, a rise of about 13 per cent since the Cruzado plan was introduced.

Venezuela predicts $3bn balance of payments deficit

BY JOSEPH MANN IN CARACAS

VENEZUELA'S Ministry of Planning has projected a balance of payments deficit of $3.6bn (£2.4bn) for 1986 and real growth of 2 to 3 per cent for non-petroleum gross domestic product (GDP).

The ministry also predicted inflation this year at less than 10 per cent, unemployment of below 12 per cent and money supply (M12) growth of about 12 per cent. The Government expects a public sector deficit in 1986 of about 5 per cent of GDP.

Venezuela, whose economy depends heavily on petroleum, projected oil export revenues of around $12.8bn for 1986 before oil prices collapsed. Oil receipts for 1986 are now estimated at around $7.7bn-$8.bn, off sharply from $12.9bn in 1985.

Last year Venezuela's GDP contracted by 0.4 per cent, despite positive growth in agriculture, industry and a few other sectors. The balance of payments in 1985 showed an overall surplus of $1.67bn and the current account had a surplus of $3.9bn.

Inflation in 1985 stood at 9.1 per cent, unemployment was reported at 12.2 per cent at year end and money supply grew by around 9 per cent. The public sector also registered a surplus for the year.

Argentina wins $100m loan

BY TIM COONE IN BUENOS AIRES

THE AUTHORISATION of a $100m (£66m) subsidised loan from the Japanese Export-Import Bank to finance Japanese exports of capital goods and services to Argenlina, has ben he firs notable success of President Raul Alfonsin's official 1 3day tour of the Far and Near East.

$100m (£66m) loan from the Japanese Export-Import Bank to finance Japanese exports of

The announcement was made in Tokyo on Monday by the Japanese Foreign Ministry following two hours of talks between Mr Yasuhiro Nakasone, the Japanese Prime Minister *and the Argentinian President.*

The two leaders reached broad agreement to promote increased trade and economic co-operation between their countries and to establish a bilateral economic co-operation council, a major purpose of which will be to expand Japanese investments in Argentina.

A more delicate subject of discussion being broached in Tokyo and being watched closely by British diplomats, is the issue of fishing in the South Atlantic. Japan has a growing fishing fleet operating out of Port Stanley in the Falkland Islands.

Argentina's claim to sovereignty over the islands and the need to control depredation of the region's fish stocks resulted in the sinking of a Taiwanese squid trawler in May this year by an Argentinian coastguard vessel.

Argentina has since reached an outline agreement with the Soviet Union which is expected to benefit the development of Argentina's deep sea fishing fleet.

Argentina has been trying to reach similar agreements with *the Japanese since the end of* last year but until now without success.

Representatives of Argentina's trawler industry are accompanying the official tour to Japan and indications of a narrowing of differences on the issue is the further announcement in Tokyo of Japanese interest in expanding the fishing port of Puerto Deseado on the Argentine mainland.

Trinidad acts to preserve foreign exchange reserves

BY CANUTE JAMES IN KINGSTON

THE TRINIDAD central bank has imposed new regulations on interest rates, reserve ratios and lending in an effort to hold the country's foreign exchange reserves "at a relatively comfortable level."

The Caribbean republic, which has a population of 1.1m, depends on petroleum exports for 90 per cent of its foreign *exchange earnings and has seen* its financial reserves fall from $3.16bn in 1982 to $960m at the end of last year.

The central bank has instructed commercial banks to reduce their statutory cash reserves from 17 per cent to 15 per cent of deposit liabilities. The central bank has also directed that from September 30, loans for non-business purposes are not to exceed 30 per cent of total loans and advances.

At the end of 1985, the central bank said, non-business loans had reached a level of 34.7 per cent of all advances by commercial banks.

Minimum down payments on instalment credit have been abolished, while maximum down payment periods have been extended from 30 months to 48 months for motor vehicles, and from 24 months to 36 months for appliances and furniture.

How to stay in bed and make those painless choices

BY TONY JACKSON

YOU ARE lying in the post-operative ward in the hospital, not long after coming round from an operation, and it hurts. The nurse gave you a jab a while ago and moved on. The effects have worn off, and there seems nothing for it but to hang on until she reappears.

It does not have to be that way, according to Richard Cain, marketing manager of UK-based Graseby Medical. "In the past couple of years," he says, "the medical profession has been waking-up to the fact that the management of post-operative pain is really pretty poor. And patients are getting more sophisticated, tending to question what's being done, and saying—listen, it hurts."

Graseby, a subsidiary of Britain's Cambridge Electronic Industries, has come up with a £1,500 electronic device which allows patients to top themselves up with pain-killer when they need it. In essence a computerised pump, it dispenses the drug on demand, within limits of dosage and frequency set by the doctor.

The idea, known as patient-controlled analgesia (PCA), is not wholly new to the UK. More than ten years ago, work done by the Welsh National Hospital led to the development of a machine called the Cardiff Palliator. At around £1,000 apiece, those machines—themselves marketed by Graseby—were initially too expensive to catch on in the National Health Service, though some were installed in hospitals.

Competition in the UK is otherwise foreign—from the Swedish pharmaceutical group Pharmacia, and from the big US companies C. R. Bard and Abbott Laboratories. According to Richard Cain, both US companies claim to have placed 4,000 units apiece in the US market, at around $3,000 each, making for individual company sales of $12m (£8m).

With total turnover of £3m, Graseby is a minnow by comparison with its competitors. However, Cain says, Pharmacia is the only one to have made any impression so far on the UK market.

The Graseby machine, called the PCAS, is controlled by an internal microcomputer which checks that the doses being demanded stay within prescribed limits.

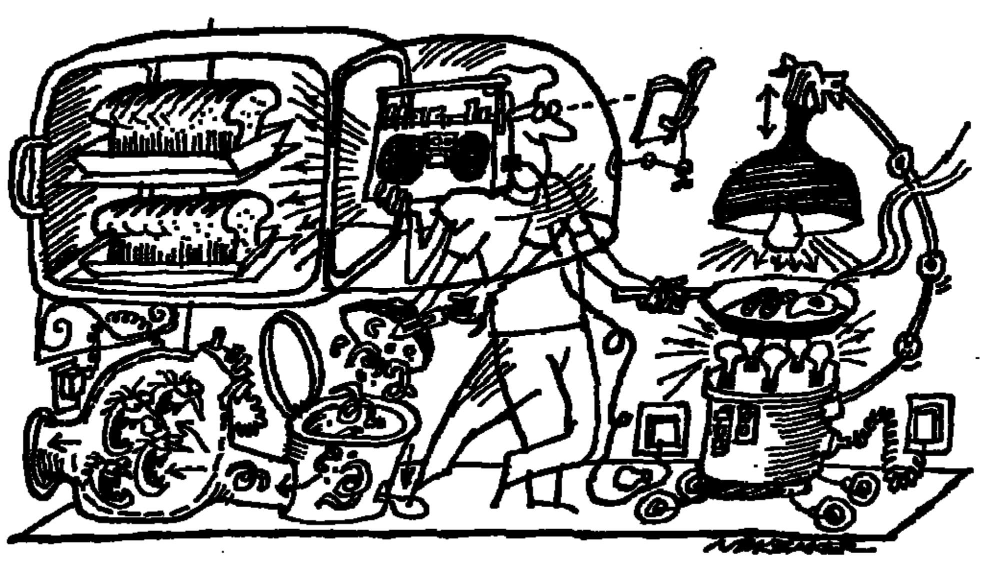
The doctor or nurse sets the machine up, specifying on the programme menu the size of dose, how rapidly it should be delivered, the length of time to elapse before another dose is allowed, and the concentration at which the drug is administered.

A refinement Graseby seems particularly pleased with is the facility for background infusion. This provides a steady low-level flow of analgesic to cope with nagging pain, leaving the patient the option to top it up when sharp pain comes along. People differ physiologically, Richard Cain says, in their ability to handle the two types of pain, and the normal practice of administering an analgesic at stated intervals does not allow for this.

The UK market, Richard Cain says, has scarcely been scratched, other than in pockets of conversion—hospitals which have already experimented with the Cardiff machine. But, he claims, Graseby already has orders on its books, despite the new PCAS having only just been announced. By September it will be available overseas—although, says Cain, "I'm a great believer in getting it right in our own backyard first."

UK Electricity Council laboratory: Geoff Charlish reports as scientists go looking for sales on industry's doorstep

Where the atmosphere is always electric



BREAD BAKING with radio waves, cooking with light bulbs, more efficient disposal of sewage—these are just a few of 100 or so research projects at the UK Electricity Council's research laboratories at Capenhurst, near Chester. Many of the projects have, or soon will be exploited by licensees and put into use by industry and in the home.

The Electricity Council is the overall policy making body for UK electricity supply, directly responsible to the Government. Under it, the Capenhurst labs, with 400 research staff, are looking to develop better ways of distributing and using electricity, with energy efficiency as the keynote.

Over the labs' 20 year history, there has always been difficulty in getting industry to take up the ideas that were generated. Today, much more emphasis is put on selling the labs' work to the outside world—the scientists and engineers have to go out and make themselves and their work known and felt, rather than wait for industry to come to them.

There have been some interesting outcomes of the £123m spent annually by the Council on research and development. For example, people using gas to cook argue, quite rightly, that the heat can be turned up and down far more quickly than with electricity.

So well over a decade ago Capenhurst started to look at ways of turning electricity into heat more quickly than with straightforward resistive elements, which themselves have to heat up before they can supply heat to a saucepan and so cause the well-known delayed response to changed hob settings.

The answer was light from tungsten halogen lamps radiating upwards through a hob plate transparent mainly to infra-red wavelengths—the ones responsible for all radiant heat. The filtered light from the lamps looks deep red and supplies heat which can be turned up and down in a second or two. Products are on the market from Thorn-EMI (Tricity/Kenwood Halobeat) and Creda (Solarheat). Belling Lee demonstrated a system earlier this year.

Radio frequencies (RF), another form of radiated energy, have been applied for some years to drying products because they act "from the inside out" in the same way as microwave cookers.

Recently, however, a Capenhurst team developed ways of "enhancing" the baking of bread with RF, cutting the baking time by a half.

The baking tin was a problem. The normal steel five-sided tin screens out most of the radio frequency field and attempts to use non-metallic tins have foundered since they are inevitably thermal insulators.

The Capenhurst oven design directs the 8 kW RF field vertically through the top of the loaves, allowing steel sides to be used so that the ordinary oven can produce the brown crust without which the loaf would be unsaleable. The oven cooks 1 lb loaves in 15 instead of 30 minutes. Two major UK bakers are understood to be interested. In addition, the labs have satisfactorily baked breakfast cereal in granular and biscuit form, cookies, biscuits, pies and pet foods.

In complete contrast, another team has developed a means of sufficiently oxygenating sewage to allow aerobic rather than the customary anaerobic "bugs" to make the material safe and relatively inoffensive.

Normally, anaerobic bacteria—those that thrive on a lack of oxygen—digest the organic matter at about 35 deg C and convert some 40 per cent of it into carbon dioxide and methane. Some 15 to 30 days are required which in turn implies large and costly multiple digesters.

By using aerobic bacteria (those that thrive on oxygen), smaller, simpler tanks can be used in which the sewage need remain for only five to 10 days due to the higher temperatures.

The secret is to get sufficient oxygen into the sewage and this is done with an aerator which sucks air into the fluid stream and yields very large numbers of small bubbles and intense turbulence in the tank. The aerator is licensed to Tom Maguire & Company of Milford Haven, UK, for manufacture.

Action of the aerobic bacteria and oxygen liberates heat which allows the sludge temperature to rise to some 60 deg C above ambient (in an insulated tank), speeding up the digestion process and killing harmful bacteria as well. Over 10 times as much heat energy is produced as the electrical energy consumed in the pumps driving the aerator.

Capenhurst also provides in-house research to improve its own services and keep its customers happier.

A novel example is an electronic version of the so-called expulsion fuses used on 11,000-volt distribution lines in rural areas.

Conventionally, ordinary wire fuses are used to protect spur lines running off a main circuit. Unfortunately, these can blow under conditions which do not represent a permanent fault, unnecessarily cutting off consumers down the spur and causing a maintenance team to turn out.

The new electronic device can recognise non-permanent faults, cutting maintenance and providing a more reliable supply. Brush Fusegear and GEC Measurements now make the unit; 1,000 are in service in the UK and world sales are expected.

Telesystems' portable communications terminal.

Satellite communications from out of a suitcase

SATELLITE COMMUNICATIONS can be set up in 15 minutes by emergency teams, government organisations, exploration groups and media teams using a 108 lb transportable terminal from the US company Telesystems of Fairfax, Virginia, and available from Dymac Systems of Great Yarmouth, UK (0493 858722).

The new facility stems from the fact that Inmarsat, the international marine and aeronautical satellite communications organisation, has adequate capacity to allow land-based users to have channels. Users simply apply to their local PTT (telephone company or authority) for an identity number. There is no licence fee, but calls are charged at £2.60 a minute for telex. Inmarsat craft are now in orbit over the Atlantic, Pacific and Indian oceans.

The TCS-900 terminal is approved in over 40 countries including Austria, Australia, Canada, Germany, Italy, New Zealand, Norway, Saudi Arabia and Spain.

Supplied in three "suitcase" units (radio frequency system, electronics unit and a Qwint telex machine), the TCS 900 uses an easily-assembled four-piece carbon/glass fibre dish aerial on a folding aluminium tripod.

After connection of electronics and power, the dish is pointed using compass, elevation indicator and printed tables provided. Voice and telex calls can then be made. The system costs $44,900 complete.

INSULATION FIBRE blanket material with minimised shrinkage that can extend the life of furnace insulation has been introduced by Carborundum Resistant Materials of St Helens, Merseyside, UK (074 488 2941).

Made from the very pure oxides of aluminium, silicon and zirconium, the material will improve insulation standards in billet and slab re-heat furnaces, ladle preheaters, forge furnaces and kilns.

The zirconia content improves high temperature stability so that shrinkage is typically limited to under 3 per cent after one week at a temperature of 1,400 deg C and above.

Known as Durablanket 1400, the material is an excellent insulator, resists the chemical attack commonly encountered in industrial furnaces and withstands thermal shock.

WORTH WATCHING

Edited by Geoff Charlish

ROOF TILES made from polymer concrete are to be put on the market by Marley Roof Tile Company, of Sevenoaks, Kent, UK (0732 451345).

The company describes polymer concrete as "totally unlike any other material available in the roofing market." Marley believes it will be able to compete for the first time against natural slates and man-made fibrous slates with a product that is tough, fireproof and lightweight.

Moulded into relatively thin sections, polymer concrete has the strength of ordinary concrete of much greater thickness. The weight is about the same as that of most fibre cement products and the material has a Class 0 fire rating.

DREXLER MEMORY card technology has been licensed to Hitachi, the Japanese electronics major, to enable it to manufacture reading and writing equipment for the card.

Jerry Drexler, president, believes Hitachi's participation could "significantly increase" the number of card equipments made over the next five years.

Drexler's LaserCard, the size of an ordinary credit card, can hold two megabytes (2m characters) of data or roughly 800 pages of text. Medical, banking and publishing applications have already been announced. The system makes microscopic marks on a special surface for read and write applications, but the marks cannot be erased. In the US Drexler is on (415) 989 7277.

WORLD TRADE NEWS

Britain and Soviet Union ratify trade pact

BY DAVID BUCHAN

BRITAIN yesterday signed a five-year agreement with the Soviet Union, aimed at boosting bilateral trade which, for the first time in many years, produced a small surplus in Britain's favour in January-May this year.

The signing of the accord, formally called the UK-USSR Economic and Industrial Cooperation Programme 1986-90, by Sir Geoffrey Howe, the UK Foreign Secretary, and Mr Eduard Shevardnadze, the Soviet foreign minister, at a Lancaster House ceremony ratifies an agreement initialled by junior ministers on both sides earlier this year.

The accord does not stipulate precise volumes or conditions of trade since the right to do this, on the UK's behalf, lies with the EEC Commission.

But, while it does not guarantee any business in either direction, it updates and identifies the interest of Britain and the Soviet Union in each other's markets and products.

Thus, it sets an agenda for Anglo-Soviet working groups in specific trade sectors and will help UK companies, seeking to sell or buy goods in priority areas, to obtain comparable priority treatment from the labyrinthine commercial bureaucracy in Moscow.

Mr Shevardnadze (left) and Sir Geoffrey at the signing ceremony

The most promising UK exports are, as set out in yesterday's agreement, equipment for mining, oil, gas, chemicals, petrochemicals, synthetic fibres, non-ferrous metallurgy, control and measuring instruments, automation, and rail signalling equipment.

The technology the Soviets are most interested in selling covers power generation, electrical and welding equipment.

Trade prospects, however, are clouded by the continuing slide in the world price of oil, which makes up more than half Soviet hard currency earnings and is a key determinant of its ability to buy from Britain, and the West.

The UK surplus on trade with the Soviet Union in the first five months of this year was mainly the result of cheaper Soviet oil, which depressed the value of imports from the Soviet Union to £250m, against £324m in January-May 1985.

UK exports to the Soviet Union rose marginally from £273m to £286m over the same period.

Mr Leonid Zamyatin, the Soviet ambassador to London, has attributed the decline in Anglo-Soviet trade turnover from £1.59bn in 1984, to £1.26bn last year, and still further this year to two factors—the falling oil price and Western export restrictions.

The first factor is overwhelmingly the most important, since oil is by far the biggest component of Soviet exports, while strategic export controls—to which the UK government subscribes—cover only an estimated 10 per cent or so of what UK companies would like to sell the Soviets.

Mr Zamyatin told the House of Commons Committee last week that "if trade is to increase we must find a solution to the credit problem."

The issue, for the Soviets, is the price, rather than the volume, of UK official sterling trade credit which bears a relatively high interest rate.

Talks on an Anglo-Soviet financial protocol, begun at the begenning of this year at the Soviet Union's initiative, have still not produced any result.

This is despite the willingness of the UK Export Credit and Guarantee Department to offer Moscow credit in other, lower interest rate currencies like the D-mark, or in a basket currency, such as the European Currency Unit (ECU).

United Biscuits in Brazilian joint venture

By Christopher Parkes

UNITED BISCUITS, one of Britain's largest food companies, is to try to break into the Latin American biscuit market through a joint venture with the J. Macedo group of Brazil, a flour-to-tyres conglomerate.

Aided by soft loans from the local development agency, the partners plan to build a factory in Salvador, on the north east coast of Brazil between Recife and Rio de Janeiro.

Mr David Simkins, commercial director of UB International, said yesterday that once the joint company—Aguia—was established, it would expand southwards into the densely populated areas around Sao Paulo and Rio.

UB would invest some £2.5m over the next three years, he said, giving it a 49 per cent interest in the company.

The deal represents UB's first move into manufacturing in Latin America. It stems from a relationship between the two companies which began in 1982 with the British group selling technical advice to Macedo.

It also brings the British group up against competition from aggressive US manufacturers such as Hershey, Nabisco and Beatrice, which are already established in the £360m-a-year Brazilian biscuit market.

However, Mr Simkins claimed they had not made a great impression and UB stood to succeed because it had the right partner and proven manufacturing and marketing policies.

Macedo is the second largest miller in Brazil, with a 12 per cent share of the flour market. Working with UB's technology it is already producing cream crackers, petit beurre and marie biscuits.

Latin American markets, tempting because of their size, are notorious because of the array of high tariffs and other hindrances which effectively block any attempt to import foodstuffs from the UK or the US.

Mr Simkins said a technical agreement in Venezuela had collapsed because UB had been unable to transfer its royalties out of the country.

Gatt council approves protocol for Mexican entry

BY WILLIAM DULLFORCE IN GENEVA

CHINA yesterday took its first formal step to resume membership of the General Agreement on Tariffs and Trade while the Gatt council approved the protocol spelling out the terms for Mexico to join.

Mexico will become the 91st member of Gatt in time to participate in the round of multilateral trade negotiations due to be launched in September. China's participation will depend on the rules adopted by trade ministers at their meeting in Punta del Este in September but the major trading nations are known to favour the inclusion of China in the new round.

In its formal application for membership submitted to the Gatt council yesterday China emphasised that it expects to be treated as a developing country and to benefit from the preferential treatment accorded to developing countries under Gatt rules.

Peking hopes to submit the bequired memorandum describing its economic system and foreign trade regime to the Gatt by the end of the year or the beginning of 1987.

The Gatt council would then set up a working party to examine the memorandum and negotiate the terms for China's rejoining. China left Gatt in 1950

China is the world's 11th largest importer, according to International Monetary Fund figures for 1985, but ranks only 17th among exporters. Last year it imported to a value of \$42.5bn (£28bn) and exported goods worth \$27.3bn.

Only 1984 figures are available for Mexico. In that year, before the collapse in oil prices, Mexico exported goods to a value of \$24.4bn and imported to a value of \$11.3bn.

With adoption by the Gatt council of its accession protocol Mexico now needs the signatures of two-thirds of the Gatt's 90 members. Once these have been obtained—and statements by Gatt countries yesterday made it clear there would be no problem—Mexico will become a full contracting party 30 days later.

● The US informed Gatt council yesterday that at its next meeting in October it would ask for a panel to investigate the quantitative restrictions which it alleged Japan had placed on 12 categories of farm products since 1963 in contravention of Gatt rules.

A senior European Community official said tensions with the US over technology transfers may escalate into a new transatlantic trade war, Reuter reports from Brussels. Mr Willy de Clerq, external affairs commissioner, said Washington was using national security considerations as an excuse to block transfers of technology. The most serious problem was over telecommunications.

EEC urged to ease steel import curbs

THE European Community's restrictions on steel imports from outside the EEC should be relaxed, the British Iron and Steel Consumers' Council says in a submission to Mr Karl-Heinz Narjes, vice president of the EEC Commission.

The Commission is relaxing internal market controls on steel in phases up to the end of next year and the Consumers' Council, which represents some of Britain's biggest steel users, says the EEC's steel import regime should be partially lifted to coincide with this.

The EEC has operated a system of lateral agreements with a number of countries outside the Community since 1978.

The council says restrictions of competitive sources of steel damage the interests of steel users. Basic import prices are higher than internal EEC market prices and the EEC and Latin America are the only major groups of trading nations in the non-Communist world in which steel imports and the share of imports in consumption have declined since 1977.

Hong Kong plastics must bend to market

David Dodwell on problems facing the territory's third biggest export earner

HONG KONG's plastics industry, which underpins the territory's position as the world's leading toy exporter, faces serious problems in maintaining market shares and in keeping pace with changes in the pattern of world demand, according to a recent study by Hong Kong's Industry Department.

Quality control is "generally poor" and is given low priority, while industrial design capabilities are "very weak at best," the report notes in a frank review of the sector.

Investment in research and development is barely evident, and rising labour costs are tending to make Hong Kong manufacturers uncompetitive, it adds.

"While the industry does not face an emergency, it faces serious problems in maintaining its share of world markets, never mind catching up with changes in the pattern of demand," the report concludes.

Hong Kong's plastics industry is the territory's third most important export earner, accounting for more than 9 per cent of total domestic exports last year.

It accounts for almost 100,000 jobs in more than 5,500 factories, the lion's share of them manufacturing toys. Toy exports fell to HK\$9.24bn (£775m) last year, 14.5 per cent below exports in 1984 of HK\$10.8bn.

Although this was partly due to slack demand in the US—Hong Kong's main market for almost all products—and the strength of the Hong Kong dollar against most European currencies early last year, there were few signs of an improvement in the first quarter of this year.

At a time when manufacturing industry is contracting as an employer in the territory, there are signs that other sectors, particularly electronics, are suffering from similar structural weaknesses that could jeopardise the territory's future as one of Asia's most buoyant exporting economies.

The study, prepared for Hong Kong's director of industry by an independent market research organisation, is the first of a series analysing the territory's manufacturing industries.

Apart from toys, which account for about two-thirds of the sector's factories, the industry produces handbags, packaging products, plastic clothes and tiles.

"Hong Kong's advantages are on the commercial side—relatively low prices, short lead times, reliability of supply and delivery, and responsive manufacturers," the study says.

"The disadvantages are mainly technical — a narrow range of product capabilities, inadequate emphasis on quality, inability to make precise mouldings, and minimal research and development."

The report noted that buyers of toys and plastics products were becoming more affluent, and more demanding in terms of safety, reliability and creativeness—making it clear that Hong Kong's weaknesses greatly outweigh its strengths

The report comments:

● Hong Kong manufacturers have exploited "only to a limited extent" the household goods market. This market is dominated by Japanese and European manufacturers.

● Manufacturers are doing "a good job" in making telecommunications equipment, but could profitably diversify by improving product development and quality.

● Makers of plastic components for the electronics industry face "major opportunities" but must invest in product development and improving quality.

● Sports and recreational products for both the US and Europe offer excellent opportunities for growth, but only with closer attention to design, quality and safety.

● The market for plastic components for cars and other vehicles, such as bumpers and other interior plastic moulded items, presents "the most significant new opportunity" for manufacturers. But Hong Kong companies are close to missing the boat.

Manufacturers are criticised for tending to invest "for quick returns rather than long-term development."

Transatlantic air traffic fall forecast at 4%

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

TRANSATLANTIC air traffic this year is likely to be down about 4 per cent, compared with a rise of 5.6 per cent last year, as a result of the drop in US-originating traffic on the route.

The Association of European Airlines (AEA), which represents 20 major operators on this side of the Atlantic, says that during May traffic, as measured in passenger kilometres, was down by 8.5 per cent compared with the corresponding month of last year. Whilst the capacity offered (the number of seats available) was up 2.4 per cent.

Airlines blame the weaker dollar, US fears of terrorism in Western Europe and a campaign by US travel agents to encourage citizens to holiday in the US.

The AEA says it is not possible to measure the long-term impact of fears of terrorism but believed traffic may grow 7.5 per cent next year.

Lloyd's expels ex-chief of Minet Holdings

BY JOHN MOORE

MR JOHN WALLROCK, the former chairman of Minet Holdings, one of Britain's largest insurance brokers, has been expelled as a member of the Lloyd's insurance market after being found guilty of misconduct by the market's authorities in a range of insurance deals.

In an 88-page disciplinary report, Lloyd's has outlined various insurance schemes with which Mr Wallrock was involved in the market and which he used for his personal benefit.

The Lloyd's authorities have concluded that at Mr Wallrock's request, funds of Lloyd's underwriting members that had been transferred to a Swiss bank, the Banque du Rhône et de la Tamise were used in the following way:

● In November 1976, $79,782 was paid to a Liechtenstein anstalt codenamed "New Fam", a financial trust that had been formed for Mr Wallrock and of which the beneficial owner was an undisclosed member of Mr Wallrock's family. That money was used to finance the purchase by Mr Wallrock of a one-third share in the motor yacht Cardigrae VI. The money had been transferred from another anstalt set up for Mr Wallrock by the Banque du Rhône, codenamed "Papix".

● On June 13 1978, £54,869.53, debited to "Papix" as $99,934 was paid to "New Fam" and used by Mr Wallrock to buy out the share in Cardigrae VI owned by the beneficial owner of "New Fam."

● On June 14 1978, $28,808 was paid by Mr Wallrock to a New York and Geneva jeweller for the purchase of jewellery.

● On October 5 1979, $75,000 was paid to "New Fam" and used for repairing a yacht called Gloria II, (subsequently called Albacara of Tortolla) purchased by Mr and Mrs Wallrock and his brother in 1978 when the Cardigrae was sold; and Mr Wallrock's mother's living expenses on the Albacara at Palma, Majorca.

Other funds were used to pay for repairs of the Albacara; the buying out of shares in the yacht; taxes on the yacht; legal expenses for the marriage break-up of a business associate, Mr Peter Cameron-Webb, the professional underwriter at the PCW agency.

The disciplinary proceedings have taken place after the discovery of irregularities at the controversial PCW underwriting agency, a subsidiary of Minet, nearly four years ago.

It was alleged that Mr Wallrock was guilty of dishonest misappropriation through reinsurance schemes involving funds of members of Lloyd's. In total, seven charges were brought against Mr Wallrock. Under charge 1, Mr Wallrock has been alleged to have dishonestly misappropriated funds from Lloyd's, and on charge 7 he had been alleged to have deceived Lloyd's when inquiries started.

On the latter charge, it was alleged that he had failed to disclose important information relating to the transactions and misled Lloyd's into thinking he had had no involvement in the transactions.

On charges 1 and 7, the disciplinary committee found Mr Wallrock guilty and imposed penalties of exclusion from Lloyd's. Under charge 2, which alleged receipt of personal benefits, the committee imposed a penalty of suspension from Lloyd's for three years. Under charges 3 and 5, which covered failure to account for personal benefits, the committee imposed penalties of suspension from Lloyd's of 12 months.

The committee also ordered that Mr Wallrock should pay £125,000 for costs incurred by Lloyd's. That was reduced on an appeal by Mr Wallrock to £90,000, although the appeal committee upheld the verdicts.

In its deliberations, the committee had been studying a scheme in which Mr Wallrock was allocated 5-6 per cent of the insurance business accepted by the PCW syndicates, into which the Lloyd's members were grouped, under a reinsurance scheme. The arrangement had been set up, it was suggested, to enable the syndicates not to breach their financial limits. Under Lloyd's rules, syndicates are allowed only to accept a certain level of business, which is strictly related to their underlying capital.

Underwriters to benefit from protection fund

A MULTI-MILLION pound fund designed to protect the interests of people who buy insurance from Lloyd's of London will in future be used to protect the interests of the underwriting members or investors of the market, John Moore writes.

Although Lloyd's will continue to use the fund, which amounts to more than £200m, to meet insurance claims of policyholders if a Lloyd's member cannot meet any insurance claims, the fund in future is intended to be used to help members of Lloyd's who face difficulties in the market.

The controversial move announced yesterday, is seen as an attempt by Lloyd's to deal with the troubles surrounding the 1,525 underwriting members whose affairs were once managed by the PCS underwriting agency.

The PCW underwriting members have discovered that up to £80m of their money has been misappropriated by former managers of the agency and that they face up to £250m in insurance losses.

Lloyd's is attempting to reach a settlement with the PCW underwriting members who are planning to sue Lloyd's and a range of other commercial interests in the Lloyd's market. But before any settlement can be reached, all the affected members have to demonstrate that they have enough funds to meet their outstanding insurance liabilities in the annual Lloyd's solvency test.

Lloyd's is planning to "earmark" money from the central fund for members who are facing the greatest hardship to ensure that they pass the solvency test ahead of any settlement.

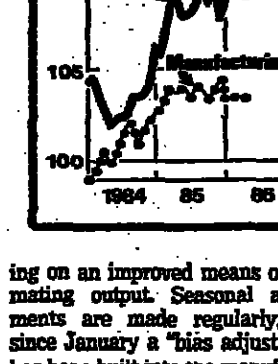
Manufacturing output remains sluggish

BY WALTER ELLIS

INDUSTRIAL PRODUCTION in Britain fell by 1.5 per cent in May, compared with April. Manufacturing output continues to show little sign of recovering from its decline of the last 12 months and remains distinctly flat.

Oil output dropped sharply in May, taking the energy index to 123.2 – down 5.9 index points on April. The main improvements were in mechanical engineering, petroleum products and paper.

The latest, provisional, figures, released yesterday by the Central Statistical Office (CSO) show that in the three months to May, output of the production industries increased by 0.8 per cent over the previous three months.



Energy output over the same two periods increased by 2.7 per cent, while manufacturing registered a marginal fall of 0.1 per cent. Consumer goods, including electrical and electronic appliances, performed poorly, showing an increase in output of just 0.3 per cent.

CSO statisticians have meanwhile revised previously issued figures for the first half of this year. The index of manufacturing output has been revised up by around 0.5 per cent in respect of the first quarter, while the figure for April – which had appeared unusually good – turns out in fact to have been over-optimistic. April has been revised downwards by a full 1 per cent for manufacturing and by 0.5 per cent for production industries.

The March-April "surge", which had been the subject of some surprised comment, thus turns out to have been less than originally put forward. Statisticians are still working on an improved means of estimating output. Seasonal adjustments are made regularly, and since January a "bias adjustment" has been built into the manufacturing figures so that allowance is made for the differences of view between government statistics and those of the Confederation of British Industry.

Sectorally, the areas that have performed best in the UK over the three months to May have been petroleum products (+3 per cent), mechanical engineering (+4 per cent), paper, printing and publishing (+3 per cent) and the so-called "all other" categories – principally rubber, plastics, jewellery, coins and toys – which went up by 2 per cent.

Oil extraction from the UK's North-East fields has continued flat, registering an increase against the previous three months of less than 1 per cent. Energy and water supply overall increase output by 2.5 per cent.

GOVERNMENT SETS LOW TARGET FOR NORTH SEA LICENSING

Frontier areas named in offshore oil round

BY LUCY KELLAWAY

THE GOVERNMENT has set itself the target of awarding 50 to 60 licences in the tenth offshore oil and gas licensing round, the smallest number since the 6th round in which just 42 licences were granted.

Most of the 127 licence areas announced yesterday by Mr Alick Buchanan-Smith, Energy Minister, are in mature areas in the North Sea or on the fringes of mature basins, although a few lie in less attractive frontier areas such as the Rockall and Faeroes Troughs.

Oil companies yesterday expressed some surprise that the Government had decided to include any high-risk frontier blocks at all, given that the movement in oil prices from $30 six months ago to this week's record lows of $9 has overturned the attractions of all exploration in the North Sea.

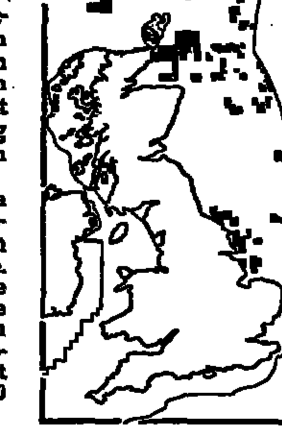
Mr Roland Shaw, president of Premier Consolidated Oilfields, described the blocks on offer as "a pretty humdrum bunch of acreage."

Despite the latest fall in North Sea oil prices, which yesterday and on Monday touched their lowest levels since the first oil came onstream in the late 1970s, the Government hopes the round will be a success.

Some of the independent oil companies, many of which are having difficulty in meeting their existing commitments, reacted unenthusiastically to yesterday's announcements. Mr Buchanan-Smith admitted that the smaller companies might be expected to play a less prominent role in the tenth round, although he hoped to see them involved as members of partnerships.

The terms on which the licences are being offered are broadly similar to those under the ninth round. However, some may be awarded with lighter work commitments than previously. But Mr Buchanan-Smith emphasised that if companies wanted attractive acreage, they would still have to offer a good work programme.

The blocks being offered include: 24 in the Northern North Sea, 36 in Moray Firth, 23 in the Central North Sea, five in the Mid North Sea High, 26 in the Southern North Sea, seven in the Rockall Trough, and six in the Faeroes Trough.



Oil production from the UK sector of the North Sea fell sharply in June, touching an average of 2.4m barrels a day compared with 2.54m in May. North Sea oil output is at its lowest for 10 months, having fallen steadily from a peak of 2.77m barrels a day in January.

The fall has been the result of a series of seasonal maintenance programmes, and a five-day shutdown last month of the Ninian pipeline. The sharpest two falls were in the Forties field, operated by BP, where production fell to 277,000 b/d from 385,000 b/d and the Ninian field, operated by Chevron, where output dropped from 170,000 b/d to 126,000 b/d.

Swan Hunter bitter over warship order

BY MICHAEL CASSELL AND ANDREW FISHER

SWAN HUNTER, one of Britain's leading warship yards, yesterday criticised the Government over its decision to award it only one of the three £113m frigates, for which orders were announced yesterday by Mr George Younger, Defence Secretary.

Although the contracts were placed as expected, with two going to Yarrow Shipbuilders on the Clyde, Swan Hunter said it was "bitterly disappointed" that it had received no orders beyond the one it had been promised 18 months ago.

The sharp response by the Tyneside yard to the £345m worth of frigate orders highlights the frustration of the newly privatised warship yards in the face of the Government's attempts to save money by delaying orders.

The promise of a further frigate order to Swan Hunter was made after the Ministry of Defence (MoD), then headed by Mr Michael Heseltine, gave an order to Cammell Laird on Merseyside early in 1985 after its workers had defied militant pickets to continue working.

That order would otherwise have gone to Swan Hunter, which then received an order for only one Type 22 frigate. The orders awarded yesterday are for Type 23s, cheaper, lighter and more advanced.

Swan Hunter said it won the order because it offered the best price and conditions, "not just because of a promise."

● A second US company has entered the bidding to run one of Britain's two naval dockyards under the Government's plans to introduce commercial management into their operations next year.

The MoD said yesterday that Brown and Root (UK), the offshore engineering company that is a subsidiary of Halliburton of the US, had been invited to bid for the management of Devonport dockyard in south-west England.

UK NEWS

Hugh Carnegy reports on the aftermath of Northern Ireland's "marching season"

Ulster looks to autumn for political watershed

ONE OF the most bizarre sights of a weekend of piping flutes and thundering drums, petrol bombs and plastic bullets, riot police and prowling troops, was that of elderly bowler-hatted Orangemen scuffling with younger fellow Protestants in the now infamous town of Portadown in Northern Ireland.

It happened on Monday when members of a Protestant lodge were marching to an annual celebration of William of Orange's victory over the Roman Catholic James II at the Battle of the Boyne in 1690. They came under pressure from youths to join an assault on a huge corrugated-iron barricade erected by security forces to block the path to a Roman Catholic area of the town.

The reluctance of those senior Orangemen, the very picture of traditional Ulster Protestant respectability in their dark suits and embroidered regalia, to fight alongside masked thugs intent on doing battle with the Royal Ulster Constabulary (RUC) perhaps says something about the effects of the "marching season" in Northern Ireland, whose climax over the Twelfth of July is now past.

For some months, the summer parades had been billed by hardline loyalists as the time that opposition to the Anglo-Irish Agreement, which gives Dublin a voice in the affairs of the province, would come on to the streets and prove irresistible. Organisations such as the traditionalist Protestant Ulster Clubs and the paramilitary groups warned threateningly of stretching the security forces to breaking point, especially in confronting the barring of marches through Roman Catholic enclaves.

Tensions were fuelled in the run-up to the July 12 celebration of the Battle of the Boyne by talk of civil war and mass mobilisation of Protestants by the Rev Ian Paisley, leader of the Democratic Unionist Party. He and his lieutenants led a 3,000-strong midnight occupation of Hillsborough Castle, scene of the signing of the London-Dublin accord last November, to emphasise their point.

In the event, such a convulsion of furious protest has not happened and Mr Paisley is now away on holiday. Like the Portadown "Black Men" as they are known, most of the tens of thousands of Protestants who marched at the weekend did not appear to relish civil war, for all their undoubted hostility to the Anglo-Irish Agreement.

Undeniably, the weekend did bring a wave of brutal sectarian violence and violence against the police that left one Roman Catholic man shot dead, another close to death, dozens of injuries, and the homes of many people, mostly Catholics, badly damaged.

Much of the steam was taken out of the Twelfth itself by a police concession to Protestants in Portadown. Nor is the marching season over yet, with parades due in the next few weeks by Nationalists and, on August 12, by the Protestant Apprentice Boys of Londonderry.

There have also been ominous signs of well-organised acts by the paramilitaries, who, no doubt have not yet played all their cards. A mainly Roman Catholic street in the County Antrim village of Rasharkin was terrorised by a 60-strong gang of Protestants. For the first time for some years, Protestant extremists claimed responsibility for a no-warning car bomb in the town of Castlewellan. Sectarian shootings in north Belfast have been frequent.

Overall, however, the security forces, although deployed in large numbers, have been able to cope. There has been little sign of the dissension in RUC ranks that many hardliners predicted.

That is a relief not just for the British Government but for the more moderate Unionists who feared losing ground to the extremists. The police decision of the weekend, which helped to avert the threat of out-and-out confrontation, was taken after prolonged discussions between Sir John Hermon, RUC Chief Constable, and Mr James Molyneaux, leader of the Official Unionist Party (OUP), Mr Harold McCusker, his deputy, and the Rev Martin Smyth, an OUP member of parliament and Grand Master of the Orange Order.

Their task now is to show the Unionist community that they have a credible, peaceful alternative for defeating the London-Dublin agreement. There is talk of "extreme political action" in the autumn – perhaps total withdrawal of Unionists from all structures of government. But it is clear that plans are still vague and there will be much scepticism of such tactics, given the failure of similar, less radical moves to make much impact over the past eight months.

On the other hand, many sometime supporters of the Anglo-Irish Agreement in the Nationalist community are wondering whether it has changed anything at all. A Roman Catholic man drinking in a pub in Portadown within earshot of rioting Loyalists shrugged as he lifted his pint: "I don't know why it means so much to them because it doesn't mean anything to us."

That attitude has been fostered by the lack of significant measures to emerge from the Anglo-Irish Conference and by Nationalist suspicions over such things as the controversy surrounding the removal of Mr John Stalker, the suspended Manchester Deputy Chief Constable, from the inquiry into the killing of six unarmed Catholics by the RUC in 1982.

Nationalist feeling were particularly incensed by the Unionist-RUC compromise at the weekend, which, contrary to previous undertakings, allowed a Protestant march to proceed through one of Portadown's two main Roman Catholic streets.

That was just the sort of Protestant triumph the agreement was expected to end – hence what Dublin officials described as considerable irritation there over the Portadown decision.

Dublin is now even more determined to win the changes it wants in the North, particularly in the judicial system, such as increasing the number of judges in the non-jury "Diplock" courts from one to three; reforms in the use of "supergrass" informers; and changes in the bail system.

Just as, in the spring, all the talk was of the potential crisis in the summer, so, now, all sides are increasingly looking towards the autumn as the watershed period for the agreement.

Labour movement sets new goals to cut unemployment

BY PHILIP BASSETT, LABOUR EDITOR

THE TRADES Union Congress (TUC) yesterday said it would have to set fresh targets to reduce unemployment beyond the 1m cut envisaged as the centrepiece of its employment strategy published yesterday as part of its annual economic review.

The plan, called the Medium-Term Employment Strategy in response to the Government's "obscure and irrelevant" medium-term financial strategy, is the most detailed labour-movement explanation of the TUC-Labour Party target of reducing unemployment by 1m within two years of a Labour government taking office.

The TUC's 1986 economic review says: "It is an ambitious target after seven years of decline and neglect but it is achievable." Setting sights any lower would mean condemning people to even longer periods of deprivation, further loss of output and higher spending on unemployment benefit.

The TUC accepts, however, that even achieving that target would cut unemployment by about only a third. Accordingly, the review says, "further targets will have to be set which will in part depend on the success of meeting the initial 1m target but which will eventually aim to reduce unemployment below 1979 levels."

It gives a warning that its objective is not to create jobs at any price: Britain needs to move towards a high-wage, high-productivity economy, it says.

The strategy aims to formulate policies likely to bring about a big reduction in unemployment in the next two years, mainly by increasing public spending. About 85 per cent of the jobs created would come from public investment, especially in the construction industry.

The TUC estimates a 150,000 reduction in unemployment in a Labour government's first year in office and 380,000 in the second. Twenty-seven per cent would come from public services, 29 per cent from special employment measures (including a new regional employment subsidy creating between 130,000 and 170,000 jobs) and the remainder from reductions in working time.

It also aims to formulate longer-term expansionary policies because it believes that "unless a longer-term view is taken, a fall in unemployment may not be sustained and bottlenecks in production may arise."

In particular, those policies would include infrastructure investment such as new road and railway buildings, which would start producing jobs after those created in the first two years, mainly through house repair and construction.

A further long-term aim is to devise ways in which jobs will be created through "new" technology. The TUC embraces the introduction of new technology but says its benefits are enhanced and its efficiency greater if it is brought in with the co-operation of employees.

The TUC draws many of its technology examples from the US but, at the same time, does not believe the US economy is the model it should adopt.

It says: "As new technology shifts a bigger share of the economy's production and employment into high-tech industries and services, the underlying economic growth rate will pick up and a wide range of jobs elsewhere in the economy will be created."

Mr Norman Willis, TUC general secretary, said the review's strategy for Britain had to involve all sectors – manufacturing and services, public and private.

"The Government's economic experiment has failed and the cost of failure has been high. Our industries have not become more efficient. There has been no productivity miracle. More jobs have been destroyed than created. Britain lags behind in the technology race," he said.

Mr Rodney Bickerstaffe, chairman of the TUC economic committee, said that on the Government's policies there was no hope of an employment recovery.

TUC 1986 Economic Review, TUC, Congress House, Great Russell St, London WC1B 3LS, £3.

Reluctant unions will accept BR cuts today

BY OUR LABOUR STAFF

BRITISH RAIL is expected to secure final reluctant union acceptance today of its programme of cuts and closures in its workshops when leaders of the engineering unions announce that their members have voted against industrial action on the issue.

Last week, the National Union of Railwaymen (NUR) announced that its members had voted 3-1 against action. Voting figures are expected to show substantial majorities among members of the Confederation of Shipbuilding and Engineering Unions for a similar refusal.

The largest union involved, the AEU engineering workers, are thought to have rejected action by a majority similar to that of the NUR.

Voting by the EETPU electricians shows an even clearer decision. On a turnout of about 71 per cent, 998 members voted against action, with 209 in favour.

● British Rail Engineering's shop-floor workers have been awarded a 6.5 per cent wage rise, widening the pay gap with their former colleagues in BR's own maintenance workshops.

Pay negotiations have been conducted separately since last year. This year, BR workshop staff received 5 per cent. The Brel deal, following a separate productivity rise agreed earlier, includes consolidation of some supplementary payments.

Liberal leader sees 'inevitable' union with SDP

By Peter Riddell, Political Editor

A FORMAL union between the Liberals and the Social Democratic Party (SDP) is "almost inevitable" before too long, Mr David Steel said yesterday in a speech marking his 10th anniversary as Liberal leader.

A speech to a National Liberal Club luncheon was intended to underline the common interests of the two parties rather than to bring forward immediate discussion about a merger. In particular, it was aimed at some SDP and Liberal activists, and also to some extent Dr David Owen, the SDP leader, who have emphasised the separate identities of the two parties within the Alliance.

Mr Steel said the Alliance was already far closer and more united than a coalition of convenience. Stressing his personal preference for formal union before too long, Mr Steel said a decision must depend on the parties.

"In my view it would be wrong to press this view against any substantial minority in either of our parties. We should not embark on the process of even considering this formal step, which I trust will lead to union, before the general election – but we should go into the election in the glad expectation that within the next parliament we will define the constitutional shape of our common future."

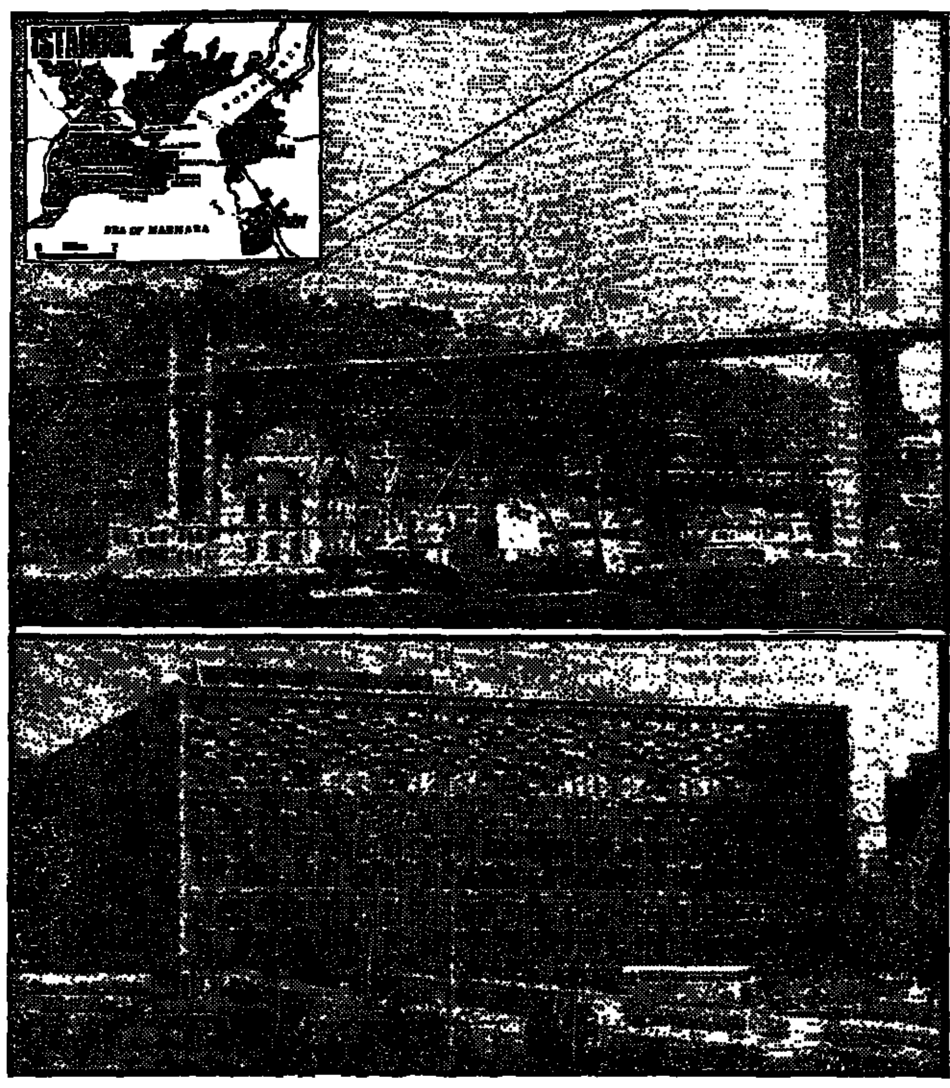
Mr Steel was careful to reflect the concerns of Dr Owen in saying that he was talking about "union rather than merger, because I would like to retain a proud sense of Liberal and Social Democratic identity within the larger framework and purpose of a united Alliance, rather than to obliterate them for the sake of uniformity."

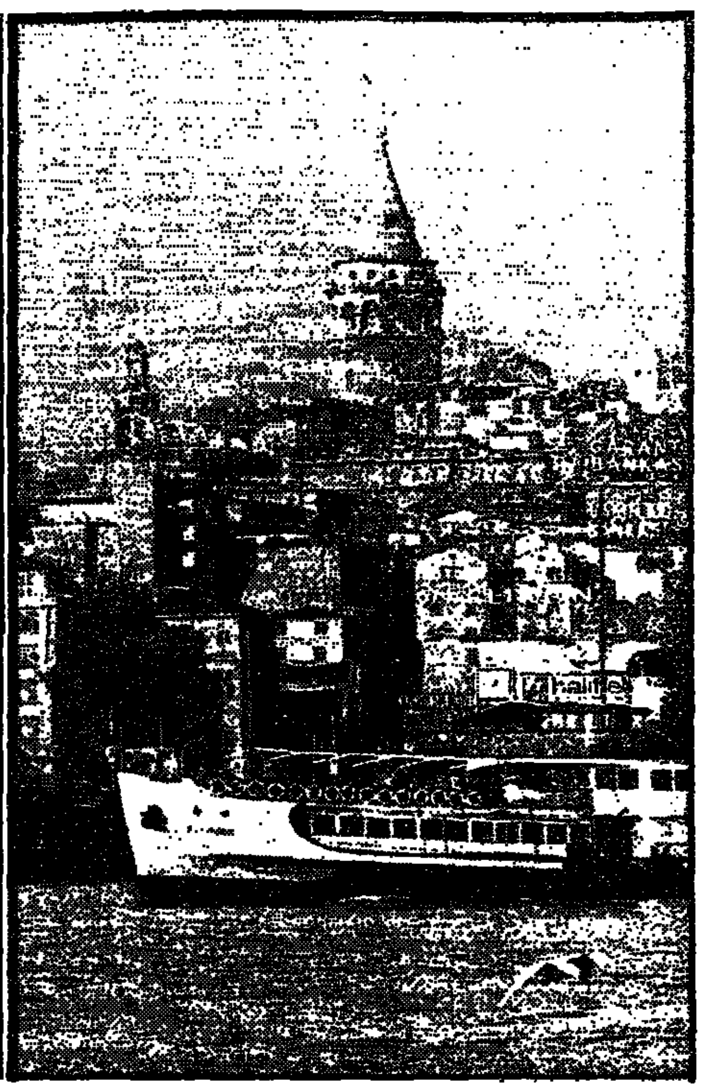
FINANCIAL TIMES SURVEY

Wednesday July 16 1986

Istanbul

A vigorous programme of urban renewal is helping one of the world's oldest cities to win back some of its former glory





Upper left: The European Bank of the Bosporus. Lower: the Ataturk Opera House. in Taksim Square. Right: Looking across the Golden Horn towards the Galata Tower. These and other pictures in this survey by Terry Kirk

Courting the businessman

By David Barchard

TURKEY'S LARGEST city has embarked on an ambitious programme of development after more than 60 years in relative eclipse.

Istanbul contains about an eighth of Turkey's 51m inhabitants, pays nearly 40 per cent of the country's taxes and holds about 60 per cent of its private sector manufacturing industry. But for more than half a century, the city has enjoyed little of its ancient prestige as a commercial centre.

Turkey's shift away from liberal track policies towards an attempt at industrial self-sufficiency from the 1920s led to the snapping of many links between the city and the world economy. The British trading community, for example, mostly departed in 1928 never to return. Many large companies followed. The city's trading role—and its wealth—sharply declined.

After the Second World War, far-reaching changes began. Migrants streamed in from the Anatolian hinterland and its population grew by as much as 7 per cent in some years. Numbers have increased roughly six-fold in four decades.

Population growth was followed, after about five years, by industrialisation. Private sector industries began to spring up in and around the city and were largely responsible for the average annual growth of about 6 per cent in Turkey's gross national product between 1964 and 1971. Some of the city's 19th century prosperity began to return.

For several decades, however, deterioration was more visible than improvement and the city threatened to emulate Calcutta, Bombay or Cairo as an unmanageable Third World megalopolis. Two-fifths of inhabitants lived in *gecekondus*, or shanty-town cottages. The new arrivals from Anatolia had little knowledge of, or interest in, the traditions of the city.

With no local taxation, the municipality was mainly dependent on central government funds. The city's infrastructure was starved of investment and the quality of life collapsed. The water supply could not keep up with demand and even by the early 1980s, there was no sewage treatment plant for the city.

"The older buildings became warehouses or slums. Much of the city around the Golden Horn was dead when Mayor Bedrettin Dalan took over," says one Turkish urban sociologist. The Golden Horn itself was seriously polluted and even the fast flowing waters of the Bosporus had ceased to be clean enough for swimmers.

Telephones, roads and other utilities all fell short not only of West European standards, but also of those of Ankara, Turkey's capital, which was a smaller and more manageable city.

The change in the quality of life in the city over the last three years for both Turks and foreign businessmen has been as sudden as it was unexpected. It was heralded in 1983 by the election of Mr Dalan, till then a political unknown.

He astonished the public by making two promises it found hard to take seriously. He pledged to reverse the pollution in the Golden Horn and make its waters "as blue as his own eyes;" and that by the end of the decade, people would no longer be short of drinking water.

Mr Dalan's success in keeping these and other promises has turned him into the most popular local politician the country has known.

The immediate thrust of Mr Dalan's policies has been to improve conditions for ordinary Turks. He places great emphasis on opening up the seashore and other scenic areas to the public.

"It is rather moving to walk beside the Golden Horn in the evenings and see families enjoying the parks Mr Dalan has created in areas which three years ago were just tumble-down housing," says the head of one Istanbul multi-national company.

Mr Dalan's work coincides with the opening up of the Turkish economy to foreign trade and a drive to attract foreign investment. The hope is that Istanbul can transform itself into an international business centre by investing heavily in the neglected infrastructure. It is a bold ambition and would have seemed hopeless than a decade ago.

Six conference centres are being built. There are plans to introduce state-of-the-art communications technology from cellular telephones for cars to telefax in a city where it is still notoriously difficult to get a telephone line in some areas—and where five-star hotels stock only 1983 directories.

"Istanbul's main shortcoming as a business centre is that there is no direct air connection with Tokyo," Mayor Dalan says.

Mr Güngör Uras, co-ordinator of the Sabanci Group, Turkey's largest industrial group, says: "Istanbul is now a more attractive place for the businessmen. Our chief shortcomings are the limited availability of good secretaries and of schools for foreign children."

The rapidly growing foreign business community in Istanbul and their families would tend to agree on the quality of life—even if some warn that creating a trading and financial centre in the eastern Mediterranean may take many years.

Mr Dalan's success in transforming the city's image comes partly from the administrators he has appointed, such as Mr Atom Damali, the head of the city water authority (ISKI). But it also comes from improved backing from central government under Mr Turgut Ozal.

The city is benefiting from legislation introduced in the early part of the decade which not only gives municipalities a 6 per cent share of central government revenue but also entitles the three largest cities (Istanbul, Ankara and Izmir) to receive an additional 2.5 per cent of central government tax revenues. Of the TL 86,180bn projected revenues for Istanbul this year, TL 55,736m will come from the central government budget and only TL 2,836m from local taxes.

Even so, for its investment programme the municipality is relying both on deficit financing and on international aid from bodies such as the World Bank, which has largely borne the cost of the improvement in the water supply.

"We are running a heavy deficit," says Mr Atanur Oguz, secretary-general of the municipality and Mr Dalan's right-hand man." We are getting into debt, but we are taking care to do so in a way which will not pose problems for subsequent generations."

A foreign businessman adds: "Mr Dalan can afford to do what he is doing because he has the unqualified backing of the central government."

Not everyone is sure whether some additional form of financing, either by new taxation or bonds will not have to be found eventually. The municipality has retained Arthur Andersen, the international accountancy firm as its advisor to help it keep on an even course.

The drive to put the city back on the international map continues. A subtle publicist, Mr Dalan recently staged an Oxford versus Cambridge boat race on the Golden Horn. He hopes that Istanbul will be selected as the site for the Olympic Games in 2000 or perhaps 2004.

He has invited the Lord Mayor of London to visit Istanbul and further international contacts are planned.

Though he is sometimes accused of looking more to the Islamic and Arabic world than towards Europe, there is little doubt that Mr Dalan's strategy is closely linked to the determination of the leaders of Turkish industry to see their country a full member of the European Community in the near future.

Banking

The easy times are over

THE NUMBER of foreign banks with operations in Turkey has grown dramatically since 1980, when foreign branches were first allowed, from an initial four to 23 institutions. And while the country's financial market is certainly underdeveloped by European standards, there can be no doubting that for banking, finance, industry and commerce, the economic centre of Turkey is in Istanbul. This is where all of the foreign banks have been headquartered.

The story of foreign banking in Turkey is one of phenomenal success for a few institutions which came early, did their homework, injected the minimum US$6m of capital required and then obtained a return on equity of more than 100 per cent in some cases. The business has been mainly in trade and project finance, corporate lending and foreign exchange and the foreign banks have brought management expertise and an international outlook and network which even the largest Turkish banks have traditionally lacked.

The easy times, however, appear to be over, with margins slimming as more foreign institutions arrive in Istanbul. Foreign bankers now talk of challenges, of problems in obtaining foreign exchange, of the difficulty experienced in funding themselves instead.

This is not the case for all the foreign banks, which fall roughly into three categories: there are the standard commercial banks trying to do standard types of business; there are the representative offices and branches which concentrate on processing syndicated credits which are booked elsewhere (London, Tokyo, and other international capital centres) and then there are the foreign banks which have adopted a strategy of growth in Turkey via joint ventures with Turkish institutions, either banks or companies.

All of the foreign banks face similar problems, however: Turkey remains a country which is not very advanced in terms of accounting. It is the exception rather than rule to find consolidated and externally audited balance sheets. The Turkish lira interbank market is embryonic and fragmented and bank-to-bank lines are more frequently negotiated than placed on the basis of fairly standard margins, depending on the quality of an institution. Especially disturbing for foreign banks is the significant difficulty in obtaining foreign exchange in Turkey, an irony for foreign banks whose strength might be expected to be the provision of foreign currency funds for trade purposes.

Information on the quality of loan risks is hard to come by and while it would undoubtedly offend Turkish businessmen to be told that much lending is done, as in the Middle East, on the basis of "names," this does appear to be the case.

Foreign bankers who are "well plugged in" to the Istanbul business circuit find their opportunities much enhanced. As one foreign bank representative remarks: "Things are improving, but I can tell you that until five years ago I would get a Turkish bank's balance sheet and throw it away. There was simply no point looking at it. It told me nothing."

For all of these reasons the successful foreign banker in Istanbul is generally one who understands the need to find specialty niches in the market. "Niche banking" might be the best way of describing the way to approach the market, now more competitive than ever with 23 different foreign institutions arrived.

Among the more successful foreign banks is Citibank, the US giant which opened up a representative office in Istanbul back in 1976 with a staff of 40, even though branches were not authorised until 1980. Citibank was ready when liberalisation began and today has four branches — Istanbul, Izmir, Ankara and Mersin. By 1982 Citibank had achieved a 29 per cent return on equity. In 1983 the return jumped to 74.5 per cent and as of last year it was still a lucrative 55 per cent.

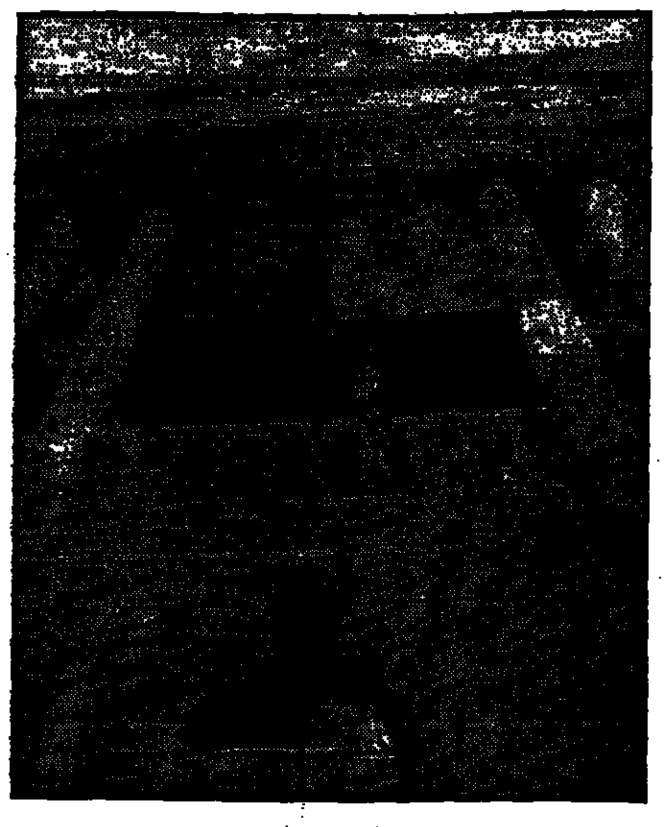
Standard Chartered, which opened as a branch on January 1 of this year, has a more modest presence, although it secured the services of Mr Jeremy Varcoe, former counsellor at the British Embassy in Ankara. As the only UK bank with an Istanbul branch there should be scope for growth, but Mr Varcoe points out that the market is becoming increasingly tough and cites in particular the foreign exchange shortage resulting from requirements that 15 per cent of foreign currency holdings must be placed with the central bank. He also mentions the difficulties faced in interbank funding, but like other foreign bankers Mr Varcoe believes that the Turkish economy could nonetheless provide wider opportunities in future.

The most unusual approach to the Turkish banking scene is to be found in the joint ventures between foreigners and local companies. American Express, which opened its branch in Istanbul in 1981 and proceeded to become the most profitable bank around, with a 123 per cent return on equity in 1983 (and 117 per cent last year), sold out 51 per cent of its bank a few months ago to Koc, Turkey's biggest industrial and financial holding group.

The newly renamed Koc-American bank is in part a result of Amex's apparent unwillingness to inject fresh capital into Istanbul, but equally a function of its strategic decision that by combining with Koc it could expand its branch network. Koc-American, like the other recent joint venture between Chemical Bank, Mitsui Bank and the Enka group (Turkey's third largest holding group), is treated like a Turkish institution, which means there is no limit on branch openings. That means access to a potentially wider deposit base, easier funding, more business contacts and room for growth. A third such example is Irving Trust of New York, which recently bought 40 per cent of the Izmir-based Tutunbank. Likewise, Banque Nationale de Paris has a venture with the Savanci group, second only after Koc among Turkey's holding group dynasties.

With ever-tightening margins these joint ventures (always contracted with foreign bank management) might just be the soundest approach to a market where things are not necessarily as they appear. The potential for growth in the Turkish economy, assuming continued economic liberalisation by the Ozal government and political stability, is clear. The winners among foreign banks, however, will be those who do more than merely fasten a nameplate to their front door and open for business: Niche-banking in Turkey means contacts, flexibility and not a little courage.

Alan Friedman



Istanbul Stock Exchange

The foreign exchange dealing room of the Is Bank, in Istanbul

Utilities

Cleaning up on seven hills

IF ISTANBUL is to realise its ambition of becoming an international business centre then much will depend upon mayor Bedrettin Dalan's far-reaching five-year plan for improving the city's infrastructure.

Mr Dalan, who has hired as his top city administrators a number of private sector executives, has embarked upon a plan to redress deficiencies in water supply, sewage control, electricity, urban transport, roads, housing and more.

Much of the work which is needed (in a city which has seen its population leap from fewer than two million 15 years ago to six million today) has as a primary goal the provision of essential services to the people of Istanbul. At the same time Istanbul is hoping to entice foreign companies by offering better telecommunications, more hotels and other services which international businessmen regard as basic necessities. This two-pronged programme is, to say the least, ambitious in a city where until recently one would often have to make do with running tap water only every other day.

The man who has perhaps the most daunting task is Dr Atom Damali, the 37 year old American-trained engineer who is general director of Iski, the Istanbul water and sewage authority. Dr Damali says he has a plan to spend around US$1bn by 1989, when his five-year term runs out.

Istanbul has never had a sewage treatment plant and the result is that both the Bosporus and the Golden Horn, which divides the European parts of the city, have been deluged with industrial waste. A US$88m World Bank loan went unspent until mayor Dalan took office, but Dr Damali has been busy signing contracts and putting out tenders with companies such as Taylor Binney of the UK and Motor Columbus of Switzerland to remedy the situation.

Because Istanbul is a city of seven hills, sewage has simply run down to the shores of the Bosporus. A key programme, therefore, is to instal large interceptor pipes running parallel to the shore which will collect sewage before it flows to the sea and pipe it along to treatment facilities. The programme is huge when one considers that Istanbul has 110 kilometres of shoreline.

Four sewage treatment plants are scheduled to be built by 1989, solving 60 per cent of the problem, according to Dr Damali.

The water supply problem when mayor Dalan took office in 1984 is described as tragic. Only four main catchment areas or water sources have been constructed over the past 100 years and Istanbul's present supply of one million cubic metres a day is inadequate for six million people.

Dr Damali plans to contract out the building of four new dams by 1989, the first of which should be ready by 1987. The goal is to double capacity to two million cubic metres daily. Although Dr Damali maintains that only 25 per cent of the city has real problems, it appears that prosperous apartment blocks get around the shortage by having roof tanks which can be used when the city supply is shut off. This is not the case in the shanty towns where newly arrived peasants from Anatolia tend to live.

Last year Istanbul imported 700 kilometres of ductile iron pipes: the total water network is made up of 7,000 kilometres of pipes and Dr Damali admits that he has come across ceramic water pipes underground which date well back into the Ottoman empire, some 300 years old. "I have taken some out and put these in a museum," he says.

Water and sewage are not the only problems. A city which wants to become a major trade, banking and tourism centre also needs telephones which work.

Telecommunications are the responsibility of the Ankara government's PTT. Two joint ventures between Turkey and foreign companies are working in this area—Netas, the venture between Northern Telecom and the OTT and another company involving America's ITT, Teletas.

Telephone services are the weakest part of Istanbul's infrastructure, particularly long-distance lines. It can take hours to get an overseas call booked and Mr William Bauer, general manager of the Sheraton Istanbul, admits: "It is the most frustrating part of my day, trying to get through on the telephone."

At present in Istanbul there are 11 phones for every 100 people (against a national average of four per 100). By the end of 1986 Istanbul hopes to have 775,000 lines installed, 1.1m by next year and 1.5m lines by late 1988. Netas only began manufacturing digital switching systems for the first time in Turkey in 1985—productive capacity is now being expanded dramatically.

For overseas calls, however, Istanbul has only one gateway exchange and two satellite ground stations in service. Two more gateways and a third ground station are under construction. Even so, lines get very overloaded at present and Netas says that "people are moving into Istanbul faster than telecoms can keep up."

On the housing front, Istanbul is coping with an annual average population increase of 5 per cent. Mayor Dalan speaks of "very rapid urban planning" which means that whereas in 1984 some 2,500 building permits were issued, the number last year was 20,000 permits. Istanbul is a city undergoing a construction boom of Texas-sized proportions.

Urban transport is also a big problem and the city is spending between US$300m and $400m on roads. The idea is to replace muddy roads with asphalt. Likewise a fourth bridge, costing $80m, will help relieve congestion across the Golden Horn, as will a second Bosporus bridge, financed by the central government.

Then there are plans to purchase more "sea buses" or ferries along the Bosporus: 10 Norwegian-built catamaran boats, each capable of carrying 440 passengers, are being bought for $32m; a rapid tram system is also on the cards, as are tunnels under the Bosporus. Signalisation of the streets (traffic lights are few and far between) will help the traffic congestion.

A great deal of money does seem to be available, either from Ankara or from World Bank and other soft loans, but Istanbul still needs to build more hotels, provide new office blocks and develop services such as bilingual secretaries if it is to attract multinational companies.

Mayor Dalan, a consummate optimist with a great public following, sits in his spacious office at City Hall and declares: "In five years Istanbul will be a city where the water will run, the sea will be clean, the traffic will flow smoothly on asphalt rather than mud roads and the total planning will be finished." If this is to be the case then the mayor and his men certainly have their work cut out for them.

Alan Friedman

Archæology

Historians still get surprises

ISTANBUL'S PAST stretches back for nearly 2,800 years, and for about 1,650 of those it has been one of the world's great imperial cities, comparable perhaps only with Peking in size and importance.

It remained a great metropolis in the Dark Ages and Middle Ages when Rome, Athens, Paris, and London were relative backwaters. As late as 1700 it probably had a far larger population than London.

Co-existing with an imperial past indicated in Ottoman fountains and classical capitals is a major challenge for a booming business city. Many archaeologists are worried about how much of Istanbul's heritage will survive into the next century. Almost every major development in the old city stumbles on Roman or Ottoman remains, many a total surprise to historians.

In the past few years for instance, mechanical excavators on building sites have turned up a marble pavement from the Bucoleon palace; the Byzantine monastery of St George Manganes; Ottoman Bektashi frescoes from the 17th century; cisterns and at least one hoard of gold coins from the 11th century.

More anonymous pieces of wall and road can be found on almost any site. For historians, it is vital that they be recorded and photographed before the bulldozers clear them.

Turkey's Department of Antiquities, under Dr Nurettin Yardimci, is struggling to cope with a situation which would stretch the archaeological resources of any West European country to breaking point.

"Time is always precious on development sites," says one Istanbul archaelogist. "Companies are often alarmed if they discover something which might hold up the work.

"The archaeological authorities tend to learn about things only through tip-offs, and there is no real rescue team. They rush to a site but sometimes by the time they get there, the walls they were told about have gone.

"What they really need is funds, laboratories, and equipment such as jeeps. More generally there is need for documentation to record and interrelate discoveries. But these facilities barely exist. The discoveries that would be made would undoubtedly justify the expense."

The plight of Istanbul's Archaeological Museum, a great 19th century collection which outshines its better-known counterpart in Ankara, gives some idea of the scarcity of cash. Of its 36 halls, numbers 21 to 36 (the upper floor) have been closed for 16 years for lack of funds to hire attendants.

Its curators have to double as rescue archaeologists in the city. They are hampered for lack of a direct link with the local authorities.

Ironically the museum itself provided a good example 13 years ago of how new building can conflict with the need to preserve archaeological remains. Though the building is situated in the ancient Acropolis, right next to the Roman Great Palace, it built an annexe without taking soundings.

When archaeologists, notably the late Nezih Firatli, protested, a brief exploratory dig was conducted. A basilica, late Roman baths and an intact Byzantine Street were discovered.

"It was a window straight into the Late Antique and early Byzantine city," says one archaeologist. But the architect and the then director of the museum overruled protests from Professor Firatli and the bulldozers were moved in. The remains vanished.

The main infrastructural projects now being planned are necessary for Istanbul's future, but archaeologists are worried that some of its past glories will be destroyed without coming to light. Foundations for high buildings tend to go through all the historical layers. An underground railway system will inevitably be built some day, and feasibility studies for a rail tube under the Bosporus are well advanced.

There is also concern about plans to build a hotel on the area formerly occupied by the Roman Great Palace.

Istanbul offers abundant evidence of its rich past with 40 Byzantine churches, several hundred Ottoman mosques, the great palaces of Topkapi and Ibrahim Pasa, and countless Ottoman fountains, tombs, libraries, and houses. It is these which have given the city its enchantment for travellers over the centuries.

David Barchard

The controversial political leader who has already clean up the Golden Horn is now pledged to realistic free-market policies, says David Barchard in this profile of the Mayor.

'Water's up, so is service'

ISTANBUL'S 44-year-old mayor Mr Bedrettin Dalan, is a popular man. The polls show that he has almost 90 per cent of the city's population behind him, regardless of party.

He has been described as Robin Hood and as Superman (the latter by Turkey's leading anti-establishment magazine which seldom has a kind word for officialdom). It is a popularity almost unparalleled in Turkish history — and which bodes well for the Motherland Party in Turkey's largest electoral constituency.

Mr Dalan's popularity is largely to be explained in terms of the improvement in the "Istanbulius" in the last three years. For most of the last half century, as waves of immigrants from rural Anatolia crowded into the metropolis, investment in infrastructure and utilities failed to keep pace with demand.

Now, armed with financial resources which none of his predecessors possessed, Mr Dalan is presiding over a period of urban-renewal, comparable to those which laid the foundations of modern London or Paris in the last centry.

Like most of his voters, Mr Dalan is an immigrant from Anatolia. His father came from Bayburt in eastern Turkey, and worked in the state railways. He was born in Eskisehir in western Anatolia and grew up at Germancik near Izmir. He was a scholarship boy who is still fond of recounting stories of how at the age of eight he was sent out to pick cotton in the fields.

He went to Istanbul only when he enrolled in the city's Technical University (the alma mater of many of the country's leading politicians). Like many new arrivals in Istanbul, his chief memory of his first visit there is of being swindled by a taxi-driver.

A career in the private sector covered engineering, textiles, and foreign trade. He was one of the earliest advocates of the economic reforms in 1980 of the present Prime Minister, Mr Turgut Ozal, even though Mr Dalan lost a substantial sum as a result.

Though not previously politically active, he joined the Motherland Party when Mr Ozal set it up in May 1983 and quickly became Istanbul party chief.

"I had no desire to stand for any office which involved going to Ankara," he says.

Mr Dalan's election in March 1984 upset predictions of a social democrat victory. But as he points out, it was the Motherland Party's decision to have elected mayors in the country's three largest cities that brought him to his present office. The military had introduced legislation which would have made them nominated rather than elected posts.

He spent his first two weeks in office watching how the municipality worked and then replaced all the holders of key posts with businessmen.

He is pledged to make sure that realistic free-market policies prevail. "When we came to office, the price of a cubic metre of water was TL 57: today it is TL 125. People accept higher costs if they get better services for their money," he says.

His critics accuse him of fostering the interests of wealthy foreign (usually Arab) businessmen, who have been encouraged to buy land and build homes on the hills above the Bosporus. Yet Mr Dalan's most conspicuous achievements — notably cleaning up the Golden Horn and creating a park around its once squalid shores — seem aimed at benefiting Istanbul's humblest citizens. A similar project for the Bosporus brought him into direct conflict with Istanbul's millionaires.

"We need this sort of man, who just bulldozes through obstacles no one else would take on," says one Istanbul exporter, though he admits that the litigation generated by Mr Dalan's demolition of old buildings may drag on for years.

So far, Mr Dalan has been able to ignore resentment among the casualties of his improvement schemes.

Mayor Bedrettin Dalan . . . No wish to go to Ankara.

Conservation

Racing against a concrete tide

"OUR JOB is like rescuing things from a burning house," says one of the Istanbul municipality's tiny team entrusted with conserving and restoring the city's old buildings.

At the beginning of this century, Istanbul's Roman city walls stood virtually intact. Inside them were wooden houses going back in some cases hundreds of years. Since then immigration from Anatolia and the industrialisation of the city have engulfed them in a bleak tide of anonymous concrete blocks.

The municipality is concentrating its sights on a few key areas. These include 10 hectares around the Zeyrek Mosque, once the Byzantine triple church of Christ the Pantocrator, built by the Emperer John II Comnenus in the first half of the 12th century and standing on the brow of the fourth hill of the city.

Others are 45 hectares around the great 16th century mosque of the Sleymaniye; and a further 30 hectares along the remains of the 5th century city walls.

The project is not advancing fast. It was originally to have been carried out with Unesco, but though technical advice and equipment has been forthcoming from the international agency, the Turkish authorities have been unable to put up the three-quarters of funds needed.

"So we are stuck," says a municipal official. A team of four specialists is at work drawing plans to restore houses and streets to their original condition.

However most of the houses in the target areas are privately owned. The municipality is not allowed to spend money restoring property which does not belong to it, therefore expropriation is necessary. But this is usually possible only after funds have been raised and, in many cases, legal battles have been fought with reluctant owners.

The municipality is not the only organisation involved in conservation and restoration. There are laboratories in the city attached to the Department of Antiquities, but they are hampered by lack of funds and personnel. The Istanbul Archaeological Museum, for instance, has a team of six restorers and three conservationists, but for two years these have been assigned to work covering the whole of Turkey.

The city's best-known and most admired restorer is thus the somewhat controversial figure of the head of Turkey's Automobile Club, Mr Celik Gülersoy.

Mr Gülersoy has used the statutory fee of DM 60 per car imported into Turkey by Turks returning from Europe to build up an action fund for restoring old buildings. Eschewing the services of architects, and working extremely economically, Mr Gülersoy has developed a striking personal approach aimed at re-creating old Istanbul.

Projects range from the Malta Pavilion, an imperial villa in a park above the Bosphorus (converted into a cheerfully painted tea-house) to the "Green Mansion Hotel," a restored late 19th century pension under the shadow of the Sultan Ahmet Mosque and St Sophia, and a new "Library of Istanbul" under the walls of the Sublime Porte.

There are also wooden houses restored as smaller pensions, tea-houses, and hotels in several parts of the city. Perhaps the most splendid of Mr Gülersoy's re-creations is the Summer Palace of the Egyptian Khedives on a wooded hilltop on the Anatolian side of the Bosphorus, an art nouveau extravaganza turned into a guest house for a select few.

Mr Gülersoy's work has brought him a prize from the European Community, but he is the target of criticism from Turkish academics and architects.

No one denies, however, that the buildings concerned have been rescued from dereliction by Mr Gülersoy and made avaliable to the Istanbul public, which flocks to them. The effect is always pleasurable.

"To sit on a hot day in summer in the 19th century garden of the Green Mansion hotel and drink a gin and tonic after work is the nearest thing I know to heaven on this earth," says one Western diplomat.

Mr Gülersoy says: "I saw and lived in Old Istanbul and I want future generations to know what it was like. The others are mostly people who don't know the old Turkey."

He is bitter about some of the demolition work which has accompanied the improvement of the Golden Horn. Municipal officials admit that some sacrifices have been made—for instance of the 17th century former Venetian embassy in the Fener district. "To obtain the best, sometimes you have to give up the good," he says regretfully.

David Barchard

ISTANBUL 4

Expatriates

Househunting by word of mouth

ISTANBUL is one of the world's great cities, a constant visual feast. The difficulties which existed only six or seven years ago have receded into the past. Most foreign families setting-up in Istanbul today fall in love with the city and heartily enjoy their time there.

Life in Istanbul poses no major problems for the widely-travelled expatriate who is likely to be impressed by the degree to which it is (and always has been) a great European metropolis. But for those families who have not previously worked outside the advanced industrial economies some adjustment will be necessary.

Looking for accommodation when you first arrive, for example, can be extremely time-consuming and frustrating. There is no real estate market to speak of, no sheets of particulars or organised agents. Word of mouth or the services of one of the better agencies should eventually find what you want.

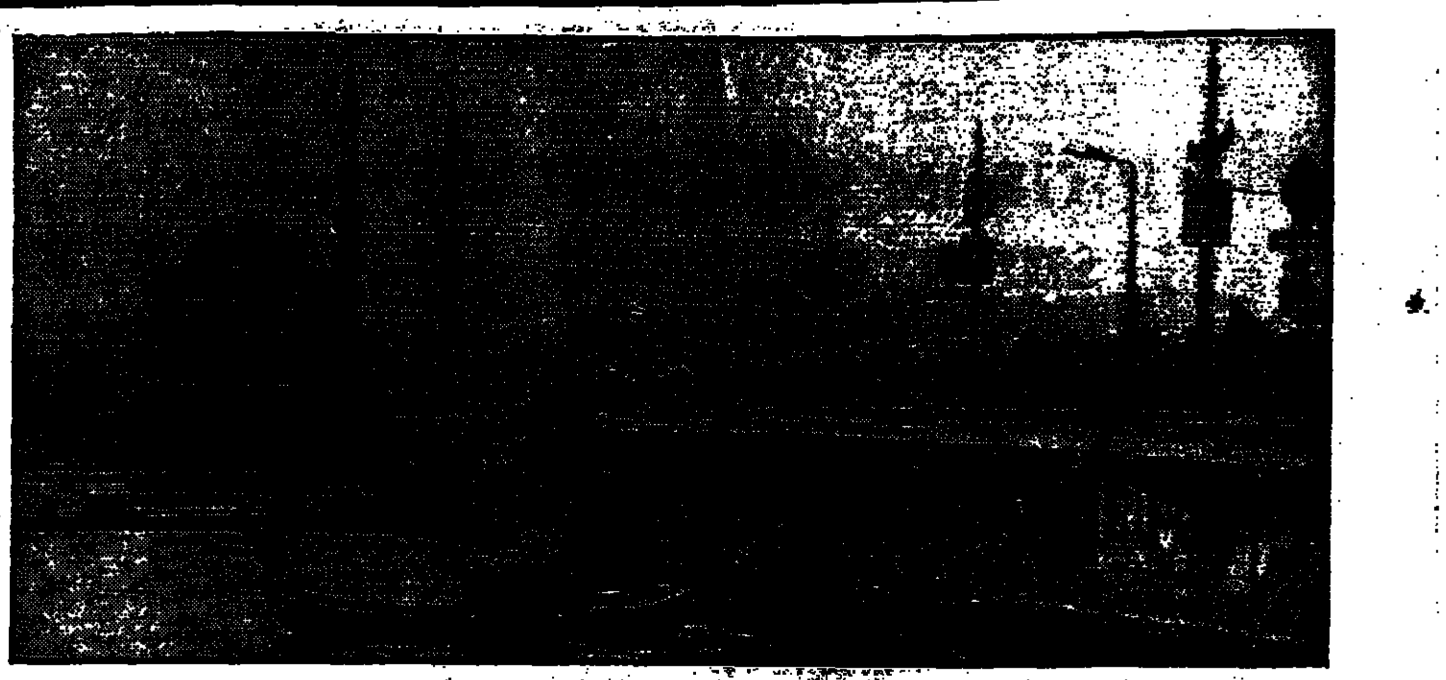
Developers are now building houses and flats in line with international standards for the foreign business community. There are some interesting and attractive new developments along condominium lines with shared tennis courts and swimming pools—a Godsend in the hot and humid Istanbul summer.

Well-to-do Turks tend to live on the Anatolian side of the Bosphorus, but most foreign business families prefer living on the European side, up the Bosphorous itself. Depending on floor area, sea view and general ambience, rents will range from $1,000 to $3.500 a month, usually unfurnished. Local furniture and electrical appliances are readily available and often attractively designed and relatively cheap.

When house hunting, look at districts like Arnavutköy, Bebek, Emirgân, Etiler, Ortaköy, Tarabya, Ulus and Yeniköy. Less well-to-do foreigners live at Cihangir near Taksim Square, where rents are much lower.

Moving in: Extricating household goods from the Customs is a wearisome business, as indeed are most such contacts with officialdom. Use a middleman. Your company would be well-advised to engage the services of a broker or agent to hurry things along. Expatriate businessmen enjoy customs exemption on import duty on personal effects they bring into Turkey for the first six months after they get a work permit.

What to bring: You don't have to bring everything from home. Kitchen equipment is usually well designed and reasonably priced. Fashions for women are attractive but a good supply of your favourite shoes, patent remedies and cosmetics would be a sound investment.



The new mosque at Eminonu, and the Galata Bridge across the Golden Horn

When you have moved into your new home you will meet one of Turkey's major institutions—the "kapici" or janitor whose job it is to remove your rubbish and buy you daily essentials from the grocery.

Basic shopping in Istanbul is easy. Residential areas have their own groceries, butchers, chemists, greengrocers, and dry-cleaners, as well as electricians and cake-shops.

When you want to branch out, take a taxi to the two main downtown shopping centres at Istikal Caddesi or Osmanbey/Nisantasi. Here you will find dress shops, bookshops, opticians, haberdashers and fabric and household line shops. Department stores do not really exist. Track down your needs by asking around.

Neighbours are thus crucial to one's succes in Istanbul. You will find your Turkish neighbours hospitable and always willing to offer advice. Wives can expand their circle by joining the International Women of Istanbul Club. There is also a British Community Council, the *British Consulate Club, and* the Istanbul Turko-British Association. Most other western countries have their counterparts to these organisations.

Health is not a special problem in Istanbul. The city has a slightly modified European climate with short mild winters and hot summers which last from May till October, with abbreviate springs and autumns. Living on the Bosporos, foreigners tend to enjoy cool breezes in the summer, and *fresh air during the winter* when air-pollution is at its worst—though its does not bear comparison with the murky skies of Ankara in winter. *Bottled water is usually drunk* in preference to tap water, and milk is safe. There are also reliable local springs where you can fill up a jerry-can.

Doctors speak English at the American Admiral Bristol Hospital where it is advisable to register. There are plenty of dentists.

Children can go to any one of a number of nursery schools, some English speaking. Thereafter (6-18 years) there is the International Community School of Istanbul, offering what is basically an American education.

Utilities are improving steadily but you will find that there are periodic brief power cuts. So a bottled gas cooker is more practical than a more thermostatically reliable electric oven. There are local models combining the two. Electricity bills come via the postman, with no envelope and it is wise to find and settle them promptly—in cash over the counter. Send your kapici. Telephones are pretty good but the same system of payment applies and deadlines on monthly bills are enforced rigidly. Bottled gas is delivered to the home.

Monthly central heating costs are paid throughout the year. Some landlords may strike a deal in which you pay for these in a lump sum in advance when you pay your rent. Some flats are heated with lignite — avoid them and others situated near them as they are very sooty and dirty.

Water has long been scarce in Istanbul. Check that any home you consider has its own underground water tank or "depo," to tide you through the hours when municipal supplies are not flowing.

Food is plentiful in the greengrocers and butchers and fishmongers. Turkey is one of the world's great food-producing countries. But it is perfectly *possible to eat on enjoying* a family three course meal with wine for £5 per head with a view of the Bosporus and with attentive charming service.

As for buying supplies, Turkish food has the matchless merit of being both natural and absolutely fresh. There are canned foods but virtually no pro*cessed or frozen foods available* and vegetables and fruit tend to be seasonal — though Turkey's varied geography means that seasons tend to start early and finish late.

Pineapple *is* the only fruit, from a great variety, to be imported. Succulent cherries, strawberries, raspberries, huge *and delicious artichoke hearts,* and many others are all sold on the streets for a fraction of the UK price. A lazy housewife can also call on delicious local cakes, *pies and pastries — to* be washed down at dinner parties with highly acceptable local wines, liqueurs, vodka and of course raki, the national drinks. *With all these things available,* life tends to be pleasantly bucolic.

Language: It is no use pretending that Turkish is an easy language, but a little knowledge goes a long way. Janitors and shopkeepers somehow manage to build friendships across the language barrier. But most of *your Turkish friends will speak* English almost as well as you do.

A.F.W.

Eating out

Fine dishes from farm and sea

DINING out is an Istanbul custom stretching back to Roman times, and probably earlier. Until recently, restaurants have not needed to import food—the seas and farmland around the city guaranteed dinner tables crowded with excellent dishes.

Istanbul now boasts two Chinese restaurants (both up-market) and there are periodic experiments to supply other cuisines, but for the most part restaurants alternate between Turkish and international culinary styles. Anatolian Turkish cuisine tends to be based on lamb (hence the world famous shish kebab) but on the coast, Turkish tastes shift emphatically to seafood.

The Hilton, Sheraton and Etap, the city's largest hotels all offer reliable restaurants and coffee shops. These tend to be international rather than Turkish in flavour and are expensive by local standards. The Sheraton—where the roof bar is worth patronising simply for its view—has a roof-top restaurant known as Revani which offers up-market Turkish dishes of the traditional style. But you may prefer to seek these out in their original habitat in small back streets.

Businessmen congregate in a few well-known lunch places. One of these is Park Samdan in Mim Kemal Oke Caddesi no 18, (tel: 140 83 68) offering Turkish and French dishes to a lively and smart clientele. Booking is essential.

Arguably the most popular top-class Istanbul restaurant is Ziya's in Mim Kemal Oke Caddesi No 21, Nisantas, (tel: 147 17 08). The food is consistently good at this crowded restaurant where you must reserve a place. Nearby in Bronz Sokak, Macka, advertisers, publishers and journalists tend to congregate at the Cafe Zihni. Food is good and booking also advisable.

Three restaurants which are less along the lines of conventional Turkish cuisine are:

The Rejans. Upstairs in an alleyway off the Istiklal Caddesi at Galatasaray, the Rejans was Istanbul's most famous restaurant in the 1930s when it was run by a group of White Russian lady emigrés. The White Russians have gone and the Czarist Russian cuisine is now overlaid by Turkish, but the pirochki and the home-made "yellow vodka" are still authentic, as is the atmosphere of faded glory, which makes it one of the few surviving points of contact with pre-war Istanbul.

The Swiss Pub (Cumhuriyet Caddesi No. 14, Elmadag). With a Swiss restaurant upstairs, this establishment is close to the Hilton and offers good, though mainly international food.

The Four Seasons, Istiklal Caddesi No. 509, just across from the Tünel or subway entrance. Customers can expect a mixture of Turkish and French dishes at moderately expensive prices, served in a pleasant ambience with good cooking and personal service.

For those sight-seeing in Istanbul, one has to mention Pandeli's in the Spice Market (Misir Carsisi).

The owner, an Istanbul Greek, was given the restaurant in 1955, by the then Prime Minister, the late Adnan Menderes. Fish and Izgara (grilled meat) are both served impeccably amid an Ottoman setting of glazed blue tiles. There is a smaller restaurant of the same name, down by the Golden Horn, but it no longer lives up to its reputation of three decades ago. The Misir Carsisi Pandelis on the other hand can be recommended to anyone on a holiday in Istanbul, though it has been discovered by the tourists and a reservation is advisable. (Lunch times only, not Sundays.)

In the evening, many Turks like to go up the Bosporus to eat at a fish restaurant and drink rawi sitting out in the open wherever possible. Prices range from about £30-£40 a head at the most expensive restaurants to a few pounds at the cheapest. Everyone tends to have their own favourites, not necessarily at the most expensive end of the market.

One of the best known of Istanbul's restaurants is Abdullah at Emirgan (Koru Caddesi No 11, Emirgan, tel. 163 64 06). Situated in a garden on a hill above the Bosporus, it serves excellent Turkish food at fairly high prices. Closed Tuesdays. Booking advisable.

Liman (tel. 144 10 33) also offers very good cooking to the upper end of the market. Booking advised.

The Bebek Restaurant is a favourite haunt of businessmen in the evening and the bar in the hotel above it is one of Istanbul's best-known gathering places.

The Palet Restaurant at Tarabya is one of the best-known fish restaurants in Istanbul. Nearby is the Filiz, also to be recommended and reasonably priced.

There are lots of cheap fish restaurants—where the fare may be just as good to eat as at the more upmarket places. Academics tend to congregate at the Yeni Güneş in Bebek or the Hane in Rumelihisar. Kaptan, Kuyu, and Antika are three popular fish restaurants in Arnavutköy where booking is not usually necessary. Ugurcan in Sariyer is another excellent fish restaurant.

Finally if you want to walk around and discover your own restaurant try the Kumkapi district of the old city, where the streets are crammed with small fish restaurants catering mainly for the local population, and carrying on a gastronomic tradition which goes back to the heyday of the Ottoman Empire.

David Barchard

Lifestyle

Wealth, squalor, prayer

IF TURKEY is a country of vast contradictions, then Istanbul can be considered the *embodiment of* many of the most visible cultural and social dichotomies. Istanbul is a city of great artistic and religious heritage, of enormous wealth, of old and new money, and also of terrible urban squalor and backwardness.

While foreign bankers and the *wives* of leading Turkish industrialists can be found lunching daintily at the city's fashionable Samdan restaurant, wizened old bearded men prostrate themselves before Allah at the city's many mosques as the minarets sound the call to prayer five times daily.

And while the rising generation of industrialists throw incredibly lavish parties for hundreds of guests, taking over the ballrooms of the Hilton and Sheraton hotels, unshaven peasants in sandals hover by the side of the city's ring roads slitting the throats of sheep with pen knives.

It is a long way indeed from the city's shanty towns — where newly arrived peasants from Anatolia prepare for lives of taxi-driving, scrounging and earning wages of £40 a month—to the beautifully and expensively restored 19th century wooden terrace houses and mansions Bosporus.

The physical and demographic structure of Istanbul is undergoing rapid changes. Neighbourhoods which were once chic are now derelict and new boroughs are becoming as gentrified as London's Islington or New York's Greenwich Village.

"I have changed my address book every six months for the past five years," says one of the city's leading socialites. "It is as though the whole city is moving."

Older *families,* whose wealth came from the late Ottoman era, are now finding difficulties in keeping up the villas and in entertaining "properly." Newer industrialists importers and financiers take up space in the society columns these days with dinners for 600 guests to celebrate weddings, engagements and even circumcisions.

Gone are the old tea houses such as Le Bon and Markiz where the literary set academics old *Jewish,* Greek, and other ethnic families would congregate. The newly prosperous tend to move "up the Bosporus" and out of the city centre, where *yacht basins* basins have replaced fishing inlets and where the one or two hour commute to work is compensated for by the peace and quiet north of *Istanbul.*

Places such as Bebek, north along the Bosporus, were once filled with summer houses. These lovely old houses are now year-round *dwellings.*

Gone is the era of families such as the Nemlis, whose tobacco fortune was legendary. "If you were invited to the Nemli's house, the splendour was unimaginable and Madame Nemli was an exquisite white Russian," recalls a member of Istanbul's society, conjuring visions of 1940s extravagance.

Contemporary social life revolves round lavish dinner parties, the essential "big" summer and winter balls and a summer rush from Istanbul down to Bodrom, on the south western coast of Turkey, where yachts set off for the "blue journey" to Lycia. Modern successful businessmen from Istanbul flock to Bodrom and Kas as though these lovely harbours were Cap d'Antibes 50 years ago.

The younger generation of upper middle class Istanbul families are westernised in the extreme—there is little which tradition appears to offer them. At the age of 20 they are in American or European schools, skiing at St Moritz and speaking several languages. At the 30 the new generation drives fast cars, wears Armani and Varsace, travels frequently to London and New York and is probably experiencing a first or second divorce.

Wives of managers tend to overdress, spend a great deal of time organising charity *functions* and get photographed by a growing band of Istanbul paparazzi. The opera and ballet in Istanbul are not exceptional, so parties constitute the main activity. Meanwhile, for the masses of this bustling city, the concerns are more mundane: trying to get work, hoping for a steady supply of potable drinking water and occasionally buying a packet of American cigarettes.

Alan Friedman

We've finally found an answer to this ancient Chinese puzzle.

In the Chinese capital of Beijing (Peking) the bicycle is still the most popular form of transport.

Almost too popular you might say.

Because at 7.15 every morning, a few million cyclists on their way to work converge on the city centre and create one almighty traffic jam.

It's a ticklish little problem that had baffled the authorities for years until just recently they hit upon an answer 6,000 miles away.

Here at Plessey in Britain.

The green light.

What brought Plessey to the attention of China was our unique traffic control system that's already in operation in the UK. To date, eight major cities have installed it. Another six have it on order.

For Beijing, we specially adapted the system from its usual motor vehicle basis and developed detector techniques to allow for the smaller metal content and slower speeds of the bicycle.

Now, we're about to supply, install and commission hardware and software for the project.

This includes intersection controllers, detectors, plus computer management with operator peripherals and wallmap displays.

So, 15 months from now, Beijing's cyclists should be happily freewheeling again.

All systems go.

Our traffic control systems are merely the tip of the iceberg as far as Plessey's activities go.

We're dedicated to technology in areas as far ranging as telecommunications, defence and micro-electronics.

Our investment for the future too, goes beyond research and development and into people.

In recent years we have recruited up to 10% of the nation's brightest electronics graduates.

Many of them stay with us and become part of our management structure. So that most of our divisions have managing directors in their forties—with a strong entrepreneurial spirit.

Our operating profits over the past 5 years underline the fact. They show an increase of 89% with a compound annual rate of growth in profit before tax of 15%.

And this over the most testing period for any electronics company spanning as it did the huge technological change from analogue to digital electronic systems.

The fast lane.

The next few years look particularly healthy for us in the area of new product development.

Equally, initiatives in the United States, Europe and Australia suggest a substantial strengthening of our international operations.

For this success to continue, it is vital that we preserve the qualities which make us unique as a company.

And we believe that we can only do this by maintaining our independence.

Having just helped a whole city to speed up again, we'd hate to see ourselves slowing down.

PLESSEY

The height of high technology.

De Havilland

A helping hand from Boeing

Bernard Simon examines the Canadian aircraft group's revived fortunes

LIKE ONE of its rugged aircraft bursting into sunshine from a dark cloud, De Havilland Aircraft of Canada has suddenly found itself climbing out of a decade of heavy turbulence.

Though still losing money, the Toronto-based company's horizons have begun to broaden in almost every direction, orders for its commuter aircraft have picked up dramatically, and a new model is on the drawing board. A C$25m investment programme was approved recently, with more to come. De Havilland (DHC) even began publishing its house magazine again last April after a break of almost four years.

The common thread running through these improvements is DHC's emergence earlier this year from more than a decade of State ownership. As one of the first steps in its privatisation programme, the federal government in Ottawa sold DHC last January to Boeing, the world's biggest aircraft manufacturer, the purchase price being C$90m in cash and notes with a face value of C$65m.

For Boeing, the benefit of the link with De Havilland is a wider product range. Although the Seattle-based company is the world's leading manufacturer of jet aircraft, it has up to now had nothing to offer the fast-growing commuter airlines carrying passengers from smaller centres to big city airports. Based on present industry estimates, manufacturers of pressurised commuter aircraft seating between 36 and 50 passengers can look forward to sales of between 2,000 and 2,500 aircraft over the next decade, more than half of them in North America.

Boeing has moved fast to sweep out the cobwebs of bureaucracy and to turn DHC into a viable commercial concern. About three dozen Boeing experts have visited the DHC's head office and factory in Toronto's northern suburbs since the acquisition. And according to Richard Albrecht, executive vice-president of Seattle-based Boeing Commercial Airline Co, who has direct responsibility for the new Canadian subsidiary: "They were in greater need of our attention than we thought they might be. We found a lot of work to do."

Nevertheless, Boeing was sufficiently encouraged by the outlook for commuter aircraft to give the go-ahead immediately after the takeover was consummated on January 31, for development of a stretched version of the Dash 8, DHC's new 36-40 seat commuter aircraft.

Boeing has installed one of its own men, Norman Kingsmore, as vice-president of manufacturing at DHC. Additionally, the Canadian company's board of directors, made up of political appointees during the years of government ownership, has been replaced. And financial and production reporting standards have been tightened.

Privatisation

"They really want us to get on with the job and to tell them what's going on," says William Boggs, DHC's president. Boggs, aged 67, headed the company from 1965 to 1970 and was brought back 18 months ago when a new Conservative government in Ottawa wanted to spruce DHC up for privatisation.

DHC, formed in 1928 to assemble Tiger Moth biplanes in North America, was bought by the Federal Government in 1974 from the British aerospace group, Hawker Siddeley.

Hoping that its intervention would breathe new life into DHC, Ottawa expected a Canadian investor to buy the company from it within months.

Far from revitalising DHC, government ownership ossified it. All major decisions had to be referred to the Federal Cabinet. Numerous government departments were involved in poring over the company's financing needs and aircraft programmes. Another layer of bureaucracy was added in November 1982 when De Havilland came under the control of a new federal holding company, Canada Development Investment Corporation. The president of CDIC at the time, Joel Bell, was a research economist who specialised in labour affairs. Boggs recalls that when he returned to De Havilland in 1985 he found that it "had not moved with the times as much as it should have." Boggs, who had spent the intervening years setting up one of Canada's leading computer systems companies, says that "there did not appear to be any willingness (in DHC) to make decisions or any 'let's-get-on-with-the-job' spirit."

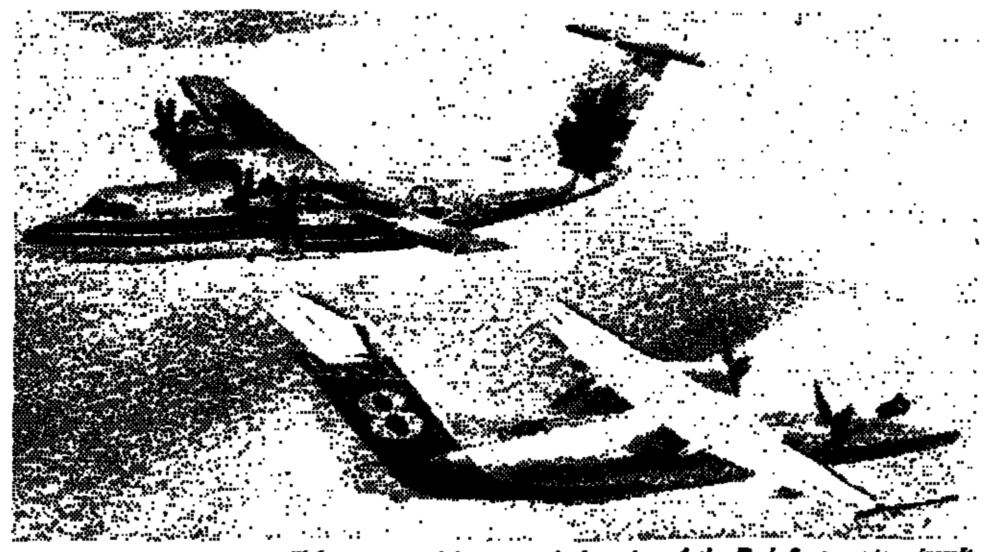
The company had put the bulk of its resources into product development. In an effort to maintain a viable Canadian aerospace industry, it needed to keep up with increasingly stiff competition from other commuter aircraft makers in the US, Britain, the Netherlands, Sweden and Brazil.

DHC's products, such as the Dash 7 short-takeoff-and-landing commuter aircraft and the sturdy Twin Otter, were widely respected. Development began in the early 1980s of the Dash 8, a smaller but faster version of the Dash 7.

But the sharp downturn in the aircraft market in the early 1980s and cut-throat competition from other manufacturers badly upset DHC's sales forecasts. When production of the Dash 7 began in 1975, the company expected it to reach break-even point by late 1981 with sales of around 250 aircraft. Only 88 were sold by mid-1983. Instead of helping to finance development of the Dash 8, as it was intended to do, the Dash 7 programme had accumulated a deficit of C$470m. Not wanting to abandon the Dash 8 project, management was forced to cut back ruthlessly in other areas of the business. About half the 5,400 workforce, including many skilled technical staff, were laid off in late 1982 and 1983.

A hard brake was applied to new investment, leaving the company with inadequate access to such key facilities as numerically controlled machine tools and computer-aided design methods. The sales department was in disarray.

Tumbling sales — from a peak of C$450m in the year to May 1982 to C$122m in calendar 1983 — wrought havoc with DHC's finances. Because research and development spending, mainly on the Dash 8, was maintained, by 1983 it was representing a massive 72 per cent of sales compared with just 9 per cent of sales two years earlier.



De Havilland's Dash series will be augmented by a stretched version of the Dash 8 commuter aircraft following Boeing's takeover

Losses totalled C$635m between 1982 and 1985, including a C$94m shortfall last year. The company moved from being debt-free at the time of the government takeover to a debt load of almost C$300m at the end of 1983. Ottawa injected C$700m of new equity into DHC during its 12 years of ownership.

Since taking over, Boggs has increased the workforce again by about 45 per cent to 4,800. "We had to take some risks," he says. "If we had a choice of doing nothing or going a little further than we would like, we did the latter."

However, the situation worsened again in the second half of last year, not least because much of the new labour was not properly trained, but also because production was still handicapped by outdated equipment. Suppliers were also giving disappointing service.

Dash 8 production schedules began to go awry. Customers which had taken delivery of the new aircraft complained about design problems. Boggs says bluntly that "we called in the suppliers and beat them up." DHC made a point of contacting the president of each supplying company. It also assigned six "expediters" to the purchasing department to visit suppliers' factories in an effort to smooth out wrinkles.

Modification kits were sent out to Dash 8 customers. In some cases, DHC technicians were sent to install the new equipment in aircraft. The Federal Government approached Boeing in December 1984 as a potential buyer of DHC. Although two other bids were also considered, the Seattle company was always the front-runner.

According to Boeing's Albrecht: "We found a company which was very solid in its engineering with a family of small aeroplanes with varying degrees of potential market remaining." He calls the Dash 8 "an excellent little aeroplane in its class."

But like Boggs, Boeing felt that DHC had not done an adequate job in investing in production facilities. Albrecht adds that DHC's "systems, attitudes and ways of doing business reflect the kind of owners that they had. Boeing as an owner is interested in something different from what the government was."

The new C$25m investment approved by Boeing illustrates his point. Among the items on which the money is to be spent over the next 18 months are improved factory lighting and ventilation, a new roof for one building, completion of a half-finished manufacturing bay, hand tools and improvements to the workers' car park. Boggs estimates that another C$25m may be needed later.

Improvements

DHC had been pressing Ottawa for months for permission to go ahead with production of the stretched version of the Dash 8, increasing the aircraft's capacity from 50 to 56 passengers. "They couldn't bring themselves to make that decision," Boggs says. By contrast, since the Boeing takeover, "we have been authorised to proceed from day one."

Crippled by strikes in each labour contract negotiation for the past 14 years, DHC is now drawing on Boeing's experience in worker motivation. An internal newsletter has been reactivated. The company plans to launch a suggestion plan, including cash rewards based on a percentage of savings realised. Boeing's skills as a high-volume aircraft manufacturer able to vary production rates at short notice are likely to be especially useful to DHC.

Nonetheless, the change of ownership has already begun to pay significant dividends for DHC. Four airlines have ordered a total of 39 Dash 8s in the past two months with options on nine more. Among the orders, which include the largest single purchase in the company's history, are 14 stretched Dash 8-300 models. One Canadian customer, Air Ontario, has specifically linked its order to Boeing's recent involvement with DHC. According to the airline's president, Jim Plaxton, the change in ownership "has given us even greater confidence in the product."

The link with Boeing has opened other areas of business too. DHC will be part of a team composed of Boeing and the West German aerospace company Messerschmitt-Bulkow-Blohm (MBB) studying an Indonesian project for a new 80-90 seat aircraft. The Canadian company may also participate in design and production of Boeing's planned 7J7 propfan aircraft.

With Boggs already past normal retirement age, Boeing's highest priorities include the grooming of a new chief executive for DHC. Boggs says he hopes to stay until the first stretched Dash 8 is delivered in mid-1988.

In an indication of Boeing's determination to put its own stamp on DHC, Albrecht says that "if we had to make a decision today, it would probably be a Boeing man."

The neuroticism of 'indirect' managers

BY IAN HAMILTON FAZEY

THE European president of a US-owned food company supervises $400m of sales with a corporate headquarters staff of only three.

He allows managers in each country considerable autonomy; he believes that if he had a more conventional European HQ set-up of 30 to 40 people, they would overwhelm the country managers with demands and create political tensions within the group.

This might in turn demotivate employees of the individual national companies, making them feel their businesses were more like subsidiaries than "associates." Moreover, he believes that corporate HQ staff might start seeing themselves as possessing imperial power.

According to research just published by the Swiss consultancy Business International: "the European president sees his role as that of promoting synergies between the national managers.

"This takes more time and more passion than conventional hierarchical management styles," it says, "but what you lose in efficiency you gain in financial return. Furthermore, country managers develop greater conviction in pursuing their policies if they think of these policies for themselves."

The research — into ways of cutting bureaucracy and encouraging entrepreneurs—has been published as a series of case studies of a number of large corporations in Europe. The food company president is the extreme example of how not to overload a company at the top with "indirect" senior management.

Unlike most of those studied, that company preferred to remain anonymous. Its reasons are less understandable than those of an Italian chemical group which stopped attempts to inject more entrepreneurship into its organisation when senior management started feeling threatened by the new-found freedom being enjoyed down the line.

Senior management showed increasing nervousness. "Every step of the way you had to battle with the 'it can't be done' syndrome at headquarters." one manager told the researchers.

One way that corporate HQ exercised control was to let subsidiary managing directors have freedom to hire and fire line managers but allowed them to pick and choose only from a personnel pool supplied by HQ.

The Italian concept of managerial status also ran counter to the changes. This set apart the managerial level "as some sort of corporate master race." One manager remarked: "People end up spending more time figuring how to join the ranks of the few than on how to make a profit."

The confusion of status with the managerial task and how it can be avoided seems to be an underlying theme of the case studies. Good senior managers recognise that "indirect" managers, whose main job is to supervise other managers, may become threatened by entrepreneurial flair down the line. Ways to avoid this seem to be not to allow the senior "indirect" managerial layer to form at all or, if it is there already, to bring in an outsider with the power, courage and backing from the very top to back it away.

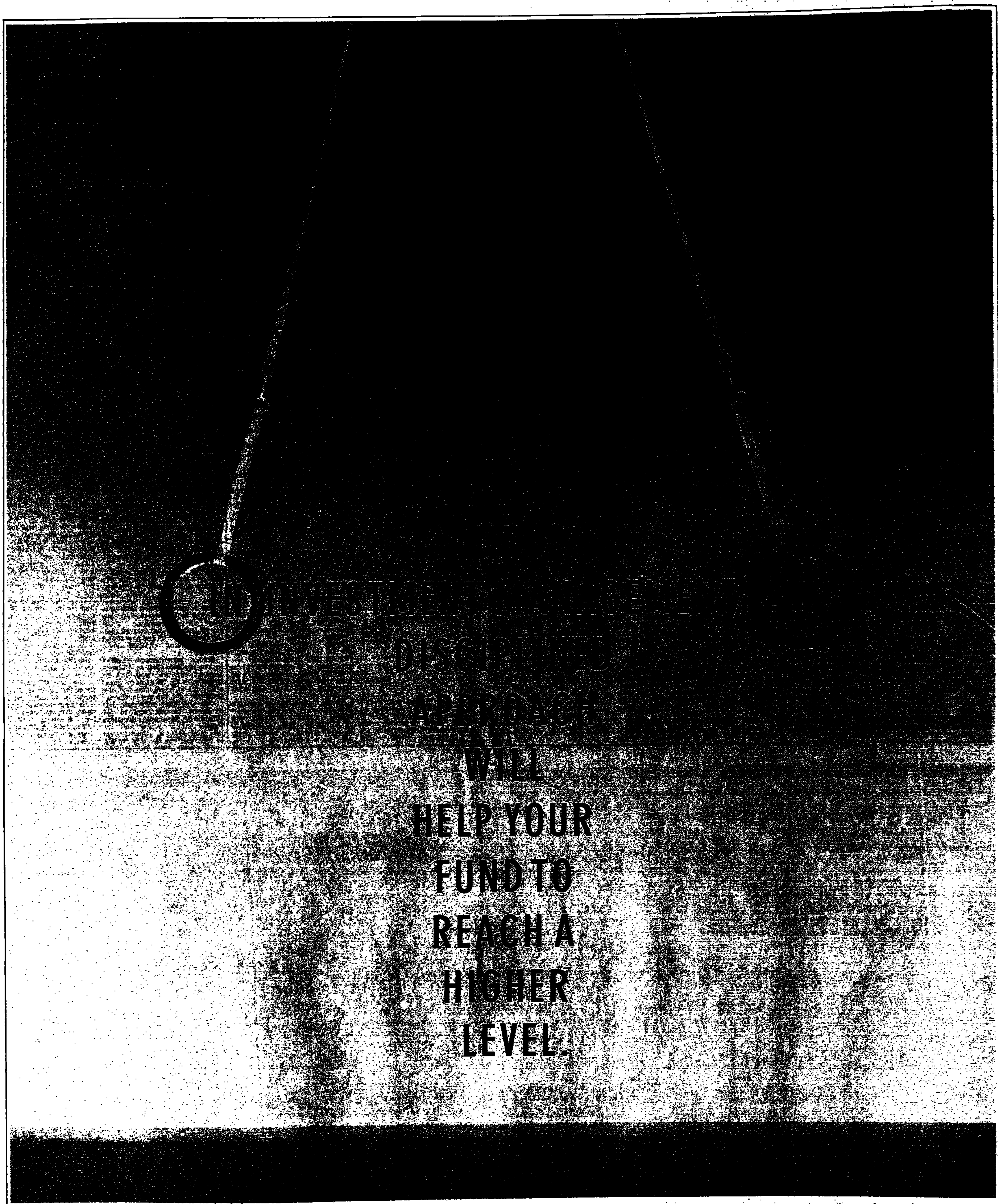
The truck components operations in Europe of Eaton Corporation, the US vehicle components group, seem to prove the point. Alan Best, who was appointed to run the group's Manchester plant in 1977, now has responsibility for the UK, France and Spain as a result of what he achieved. A bigger compliment, however, was that when recession struck, it was the less entrepreneurial US plants that Eaton closed, while use of European capacity was increased.

Best told the researchers that choosing the right plant managers was essential, as was meeting them regularly for informal and formal discussions, while giving them freedom to manage. This meant that financial criteria to measure performance did not have to be too narrow.

Divisional headquarters staff had to be kept to an absolute minimum because they sometimes had too grandiose a perception of their role compared with the manufacturing divisions. The role of corporate headquarters was to act as a sounding board, approve capital spending and give direction to the group.

The overall point emerging from the study is that management is a task, not a status.

Cutting Bureaucracy: Encouraging Entrepreneurs, published by Business International, 13-14 Chemin Rieu, CH-1211, Geneva, Switzerland. $255 or SFr 550.



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THE ARTS

Television/Christopher Dunkley

Real news are good news

One word above all is beloved of television: "new." It almost invariably means the opposite of what it seeks to imply: "New Sudso, washes even whiter!" means "Same old Sudso, washes much as ever," and when applied to programmes the word can mean whatever the scheduler wants it to mean. In Radio Times and TV Times the tag line "New Series" may mean "This situation comedy was first shown 25 years ago in the US, and we have been screening it in Britain for the last five seasons. However, it has been off the air for a few weeks and this particular episode is the first of another batch."

Alternatively it may mean "This is the first of the 1986 season of games/concerts which we shall be broadcasting this year as we did last year and every year over the previous two decades." More often than not "New Series" simply means "We know you are used to seeing repeats under this title, but this is a genuinely fresh lot."

That said, the last couple of weeks have seen the arrival of enough really new series to suggest the beginning of something that looks almost like a summer season. True, they appear to be mostly documentaries, and admittedly BBC2 seems to be responsible for a disproportionate number, with Channel 4 taking second place. It looks as though BBC1 and ITV are content to wait, as usual, for the autumn before launching into their "New Season." The fact remains that, for July, there seems to be an abnormally large number of truly new series around, and those of us who have complained previously of the deadly tedium and generally low standard of summer programming ought now to acknowledge the change, however modest.

So far I have managed to see the opening episodes of five new documentary series, and I suspect the best of them may turn out to be *Sweat Of The Sun, Tears Of The Moon*, an eight-part series about South America made by the Australian Broadcasting Corporation with Jack Pizzey as reporter. It is being shown by BBC2 (*Episode 2 at 8.00 tonight*). In great contrast to the current crash-bang-wallop style of documentaries, this series — produced and directed by Clive Fleury — manages to give the feeling that it was made with all the time in the world.

Indeed, the first impression was of a programme so leisurely as to risk boredom, but it became clear that the business of watching Pizzey getting on a bus or walking down a street was very much a part of the style. We have become so accustomed today to documentaries which seek to impress by rushing from graphic to graphic, map to pie-chart, with barely time to glance at the landscape, that we are in danger of forgetting the value of good reporting.

Pizzey is a good reporter and Fluery has had the sense to allow him to do his job, which is not to say that other production values are abandoned. The most telling moment in the opening episode came when Pizzey finally managed, despite transport strikes, to reach the venue for a trade union conference, only to find that nobody else had turned up. Fluery filmed Pizzey as he kicked an empty can up the echoing hall towards the deserted platform while making a wry comment about South American attitudes. It was a small piece of theatre, but *legitimate and telling. If other* episodes are as good, those who stay with the series will not only learn a lot of new facts about *South America, they will* also gain a powerful impression of the place — which is, of course, quite different.

The Healing Arts is another BBC2 series, this time in nine parts, which promises to "look at many unusual aspects of medicine." Given the growing interest in herbalism, homeopathy, acupuncture and so on, that seems reasonable enough. What does not seem reasonable is to mix up the rational and irrational and imply that everything beyond the ken of conventional medics is much of a muchness.

Programme 1 jumped from osteopathy, an exact science when it comes to a question of replacing disjointed bones, to some silly woman who closed her eyes, waved her hands over someone's body, and burbled about "feeling the force field" and the importance of "breathing through your feet." Television is far too much in awe of conventional Western medicine, so that there is a vital job to be done in de-mystifying the whole business and broadening the public's outlook. But the only people whose purposes will be served by casually pushing together reasonable alternatives and the ludicrously few are the charlatans whose lives are already far too easy.

Yet another BBC2 series, *Questions Of Defence*, is remarkably similar in several ways to Channel 4's series *All The Prime Minister's Men*. Both are largely concerned with politics, both have a thesis to propound, both work through history to speak about the present, both make good use of archive film for this purpose, both exploit new interviews with those involved at the time.

Yet despite these similarities *Questions Of Defence, which is* about the history of Nato, struck me as somewhat dry and didactic (occasionally interestingly so: in the determination of presenter John Barry to salvage the reputation of Ernest Bevin, for example) whereas *All The Prime Minister's Men* felt lively and inquiring. Perhaps the comparison is unfair since Cabinet government, which is the subject of Philip Whiteheard's series on C4, is about people and thus inherently more interesting defence which, inevitably, is much concerned with geopolitics. It is hard to imagine a history of Nato coming up with anything as amusing as the account given by one Cabinet minister of arriving early at Downing Street to discover the Prime Minister moving the place cards so that he did not have to look Enoch Powell in the eye.

All The Prime Minister's Men (Episode 2 tomorrow comes up to date and discusses Mrs Thatcher's handling of her Cabinets) looks as though it may well prove one of the most valuable bits of political history ever originated by television, but in some ways the most original of these new midsummer series is *Designers*. Coming yet again from BBC2 (Episode 2 at 7.30 tonight) this began with a programme which used a formula that I have been wanting to see on television for 12 years: a particular piece of industrial design was subjected to the *scrutiny not of art critics or* other designers but those obliged to use the design.

In considering Leyland's "Roadtrain" lorry, producer Sam Berrisford naturally interviewed Leyland's designers, but he also *talked to lorry drivers* with highly significant results. While the designers talked of the need to make the exteriors of lorry cabs look less "aggressive" in order to pacify inhabitants of small villages, the driver talked about the high level of interior noise. And while the designer enthused about the sausage-motif of the radiator grill being repeated in the cab steps and on the rubber mats, the driver complained about the absence of arm rests and side window de-misters.

We must of course be aware that what we were watching was Berrisford's selection of evidence: it is conceivable that the lorry driver spent most of his time enthusing over the sausage motif in his rubber mats, that the designers' chief concern was really the lack of arm-rests, and that Berrisford naughtily misrepresented all of this — conceivable, but unlikely. It seems much more likely that the disparity highlighted between the priorities of designer and user are all too common.

Television with its pictures, its sound and its ability to hold the evidence up in public is an ideal medium for airing this sort of subject. It is surely high time that the present odds and ends of design programmes were replaced by a series as regular and permanent as those that deal with science or motoring.

Meanwhile, we must be grateful for these genuinely "new" series which are making the television summer of '86 somewhat more interesting than its predecessors.

Alastair Muir

Elisabetta Terabust and Peter Schaufuss in Romeo and Juliet

Romeo and Juliet/Coliseum

Clement Crisp

London Festival Ballet began what promises to be an interesting and varied summer season on Monday with *Romeo and Juliet*. This is the Ashton version, restored and restaged last year, and one more modest in its proportions than any of the others we have known during the past three decades. Its virtues are those of purity of outline, economy of means, almost a decorum in treating of the tragedy in the first two acts, *a decorum broken by the sudden* burst of passion which drives right through the final section of the work.

The passion was notable last night in the performance of Elisabetta Terabust as a Juliet in whom native Italian temperament came tremendously to the service of the young girl's dilemma. Whether delineating Juliet's *indecisions, or her* obsession with Romeo, Miss Terabust spoke Ashton's lyrics like Shakespeare's verse, with a *full flood of feeling.*

Bidding farewell to Peter Schaufuss's eager Romeo; running to Friar Lawrence and contemplating the potion, summoning up her courage to face her family, this Juliet was touched with a fine and lovely ardour, and the ballet received the essential focus for its emotional development. It was a performance which wholly justified the staging.

Mr Schaufuss's boyishly spirited Romeo was matched by his companions, Matz Skoog and Davide Bombana as Benvolio and Mercutio, and it was again *a pleasure to welcome three* eminent Danish artists — who were in the original Copenhagen staging, if in other roles —to lend their particular mimetic clarity to the senior characters. Kirsten Ralov is a gentle yet firm Lady Capulet; Niels Bjorn Larsen a bold, unbombastic Capulet; Frank Schaufuss an imposing presence as Escalus.

The company were in lively form in the crowd scenes, but I find myself increasingly out of sympathy with Peter Rice's flimsy design: I can believe neither in this skeletal Renaissance setting nor in the pastel costuming. The ballet loses credibility for me thereby.

Alastair Muir

Gayle Hunnicutt, George Irving, Sally Watts, Bryan Murray and Sandra Dickinson

The Miss Firecracker Contest/Greenwich

Antony Thorncroft

Beth Henley's play first surfaced at the Bush four years ago where its small virtues were well received; the wide open spaces of Greenwich reduce its appeal. What should have been a camp send-up of Tennessee Williams shows ominous signs of taking itself seriously. You actually start to care about the characters.

Carnelle, whose career as the local lay in the small Mississippi town of Brookhaven has been curtailed by a nasty social disease, wants to regain her pride and status in society by winning the annual Miss Firecracker beauty contest.

Her family are sceptical about her chances, surprisingly so since Carnelle is played by Sandra Dickinson, who even wearing a copper red wig, cannot disguise a comely face. But then they have their own problems: cousin Delmount (Bryan Murray) has just come out of a mental asylum where he was sent for duelling with a broken bottle; cousin Elain (Gayle Hunnicutt) has left her husband because he loved her too much; and their mother has let them down by turning into a monkey before she died for the sake of medical research. The cousins are stock southern misfits, slow of speech and mind, and with enough skeletons lurking below the thin surface of their reality to qualify them for membership of *Cold Comfort Farm*.

Simon Stokes directs it straight, playing down the jokes and playing up the dilemmas of the cast. The audience is left uncertain whether to identify with the plot or the satire. As the fireworks explode at the end, and Carnelle, Popeye and Delmount gaze out at a more hopeful future, it seems indelicate to have laughed at their futile fantasies.

Giacometti Retrospective/Martigny

Ernest Beck

Alberto Giacometti once described being an artist as nightmarish and hopeless, like having his face pressed against a wall and not being able to breathe. Walking into a room of some 150 of his sculptures and paintings at the major Giacometti retrospective in the Swiss Valais town of Martigny provokes similar feelings of despair.

Faces thin as razors, and emaciated bodies, forlorn groups and limbs falling weightlessly through space—his contribution to the mythology of modern art—reflect our nervous nuclear age as accurately as they did the ruins of the post-war Europe when created. Time *has not dulled their power.*

Commemorating the 20th anniversary this year of the artist's death, the retrospective *is in many ways a homecoming:* the conservative Swiss recognised their countryman's achievements only late in his *career, and, until recently,* international acclaim has far exceeded fame at home.

It is a tribute then that his brother Bruno was given a hand in the arrangements. Knowing how Giacometti fretted over the installation of his works, he has devised an artful concept which makes many of the familiar, perhaps overexposed sculptures appear fresh and alive in a concentrated assemblage. The airy, canopied Foundation Pierre Gianadda cultural centre is filled with an entire village of lean, hollow-eye Giacometti people, while enough space has been left for wandering, and close observation of surfaces.

At Martigny, works are arranged thematically to present a sense of stylistic development. They include many rarely seen Cubist-inspired sculptures from an early, brief flirt with abstraction in the 1930s, soon after his emigration to Paris.

This was quickly abandoned for the figurative. Giacometti believed we recognise people only by overall impression, not *by specific physical details.* A dozen heads of Diego — his brother, trusted friend, and collaborator, who perfected his *bronze casting method—makes* this clear: some are thin and jutting forward, on triangular bodies, while others are tiny *round balls set on a bulky torso.*

There are other surprises in the village. The artist's concern with isolating figures in enclosed spaces—rooms within rooms—can be seen in the enigmatic "Figure Entre Deux Boites." Perhaps Diego, a furniture designer by trade, had a hand in this: a striding female figure is framed in what looks like a stylish cupboard whose top and sides have been removed to form a stage.

Giacometti's biographer James Lord has written of his obsession with perfection and fits of self-doubt. Often he tore up or destroyed works at will, proclaiming his inability to render a true image. The paintings at Martigny, which occupy the perimeter of the exhibition, are evidence of this frustration: they appear at first as dimensionless facades, mere backdrops for the sculpture. Yet up close their intensely worked out details are discerned, and the faces stare back with a disturbing intensity—portraying the fear of seeing and being seen.

*

Those interested in a personal glimpse of the artist should journey further to the Zürich Kunsthaus, where a companion exhibition entitled "Seen by Photographers — Alberto Giacometti" provides an intimate picture biography. Candid, but never voyeuristic, the 150 black-and-white photographs reveal a moody, modest man who considered art more a religion than a vocation.

There is Giacometti gingerly moulding a Diego miniature with his eyes tightly shut, sensing his way with his hands as if blind; or standing in awe before a massive head in his cluttered Paris *atelier* which he never left despite later fame and fortune. Arranging an exhibition in Paris, Henri Cartier-Bresson has captured him in motion, a dark, blurred figure hardly distinguishable from his slightly bent "Homme qui marche." The handsome, expressive face is the same.

Although he never chose to live in Switzerland again after leaving for Paris at the age of 21, Giacometti kept an *atelier* in Stampa, near his birthplace in the Italia-speaking region of the Grisons. He came home to die, in Chur. The exhibit ends with a striking picture of the funeral procession; the coffin on a horse-drawn carriage passing through a mountain village followed by a column of mourners walking single file like solitary statues.

Earl Wild/Bishopsgate Hall

David Murray

Recent City of London Festivals have offered a special treat for piano lovers: a working week's worth of lunchtime recitals by a notable pianist—Cécile Ousset, Jorge Bolet, Mitsuko Uchida — and generally with a linking theme. This *week we have the American* virtuoso Earl Wild, celebrating Liszt and some other favourites daily.

At 70, Wild still has wonderful fingers (particularly right-hand fingers), and *aficionados will know more or less what to* expect. Deep-pondered interpretation is not his line, though he cultivates pretty sentiments *in salon pieces; but good taste* usually guides what he does, and a canny ear for the actual sound of his instrument.

For easy panache and digital brilliance, as well as nicely astringent clarity, he has few equals. It is a pleasure to hear him addressing the piano with such delectable glitter and efficiency.

His Liszt on Monday was misidentified in the programme as "Five Studies op. 1"; in fact it was a mixed bag of Transcendental Studies and *études de concert*, all of them authentically Wild-ish.

His dry pianissimo in "Gnomenreigen" was sensational, as it was in the angry *F minor Study; each would have* gained, I thought, by less skittish tempo changes (Wild is oddly casual about such *matters*), *but neither gnomic* eeriness nor cumulative drama is the sort of thing Wild seems to aim at. Immediate prestidigi*tation is what's to be admired*, and we admired it.

"La Ricordanza" and "La Leggierezza" flowed elegantly. So did Chopin's Andante Spianato, and its following Grande Polonaise found Wild again in his element: sparkling thirds, super-lucid chromatics. No new tone was marked at the arrival of the middle section —Wild rarely makes much of expressive modulations.

He concluded with Ravel's "Alborada del gracioso," in *which amid the crackling* guitar effects he placed Ravel's succulent chords as beautifully as he shaped the flamenco recitative. There was a sharp appreciation of style in that; only a properly tough pulse was still needed to lead up to the final explosion.

Boulez out of Proms

Pierre Boulez has hurt his knee and has had to withdraw from conducting the Promenade Concert on July 26: the UK premiere of his *Figures-Doubles-Prismes* will not now be performed.

He will be replaced by the Belgian conductor Ronald Zollman, and the revised programme will be: *Jeux*, by Debussy; 4 Pieces Op. 12 by Bartok; and *The Nightingale* by Stravinsky.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Theatre

July 11-17

LONDON

The Normal Heart (Albery): Tom "Amadeus" Hulce is playing the crusading hero of Larry Kramer's hysterical melodrama for a three-month season, as public concern over the Aids epidemic increases. (836 3878 credit cards (CC) 379 6565).

La Cage Aux Folles (Palladium): George Hearn a welcome star alongside Denis Quilley in the transvestite show for all the family. Weak *second act, less than vintage* Jerry Herman score. The show has not travelled well from Broadway. (437 7373 (CC) 734 8961).

TOKYO

Kabuki (Kabuki-za): a dance piece, Yakko Dojojo, based on story of a dancing girl performing a temple ceremony, with popular male comic actor Ennouske playing the girl. He also stars in Date no Ju Yaku with stylised fights, acrobatics and quick changes. Kabuki-za, Higashi Ginza (541 3131).

Fool for Love (in Japanese), the final of the Sam Shepard trilogy presented by Parco company, directed by a visitor, Paul Joyce. Parco Space Part 3, Shibuya (477 5860/5858).

Midsummer Night's Dream by Lindsay Kemp and Company. Kani Hoken Hall, U-Port, Gotanda (Mon). (486 7556).

NEW YORK

Japan House: Burghley House, with the earliest known record of Japanese porcelain in Europe, provides a touring exhibit that will visit the *High Museum in* Atlanta and then nese and Chinese objects dating from the 16th to the 18th centuries. Ends July 27.

Cats (Winter Garden): Still a sellout. Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is *visually* startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country *life with a* good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable *Chicago hit.* (935 6100).

NETHERLANDS

Amsterdam, Rijksmuseum: Impressionists and their contemporaries in an exhibition of 140 French prints spanning the period 1860–1900, including foreign artists who made Paris their spiritual home. Ends Sept 7.

Amsterdam, *Stadsschouwburg*: English Speaking Theatre of Amsterdam repeats its successful run of Orton's Entertaining Mr Sloane, directed by Grant Coburn. (24 23 11).

Amsterdam, Stadsschouwburg: De Geliefden, puppet theatre by Jozef van de Berg (Fri, Sat). (24 23 11).

ITALY

Spoleto (festival), Teatro Caio Melisso: Eugene Ionesco's The Lesson, directed by Egisto Marcucci (in Italian). (4 02 65).

Sala Frau: the Théâtre de l'Europe in Jeux de Femme, by Krzysztof Zanussi and Edward Zebrowski, directed by Henning Brockhaus (with *Leslie Caron*). (Fri, Sat). (4 02 65).

Saleroom/Antony Thorncroft

Keeping our marbles

Christie's scored a big success yesterday with its sale of English and European *sculpture.* It totalled £1,994,328, with just one per cent unsold. It was the best sale of marble statues to be held for many years and included some choice items from Wentworth Woodhouse, the Yorkshire home of the Fitzwilliam family, which started to collect sculptures in the mid-18th century when classical acquisitions on the Grand Tour were all the rage.

A monumental Florentine marble group of Samson slaying *Philistines* by Vincenzo Foggini was bought by a private collector for £345,600, comfortably ahead of the £250,000 high estimate. It has attracted public interest because it is the first item exhibited at last winter's "Treasure Houses of Great Britain" exhibition in Washington to reach the market.

At the time certain critics said that the show would provide an excellent opportunity *for American* collectors and museums to view the best of British heritage. However the Foggini was known to be on the market. Following the death of Olive, Countess Fitzwilliam, the family has abandoned Wentworth Woodhouse and sold off the contents, leaving the grand 18th century mansion to the local authority. Even so if the *private buyer* turns out to be a foreigner there may well be attempts to keep this group, dating from 1749, in the UK. After all it was commissioned for a place of honour in the house.

Another lot in the sale which should stay in the country is a bust of Shakespeare by Michael Rysbrack. It sold for *£291,600 to a private collector.* The bust was commissioned around 1760 by James West and sold by a descendant of the same name who is *using the* money to indulge his passion for contemporary art. The combination of a great national sculptor—*if only by adoption*—should ensure a stop on an export licence, if one is requested.

Also from Wentworth Woodhouse were *four statues* by the late 18th century artist Joseph Knollekens of Venus (which made £118,800); Juno (£113,400); Minerva (£108,000) and Diana (£91,800). All sold way above forecast to private buyers. It has been suggested that three of the group—minus the Diana—were made for the Judgment of Paris, for a statue of *the chooser of the greatest* beauty was also in the house: because it contains some original Roman work it is being disposed of tomorrow by Christie's in an antiquities auction. Only seven statues by Knollekens *are known*, which makes this group also important for the national heritage.

There would be fewer complaints if four Labours of Hercules, cast in bronze from models by Giambologna, left the country. They made in total £386,640, with one of them, Hercules and Lichas, contributing £259,200 because of its great rarity.

FINANCIAL TIMES

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Wednesday July 16 1986

Dangers of a weak dollar

THE UK authorities may well have felt some relief yesterday as a weak dollar took the downward pressure off sterling in the currency markets. The pound is bound to be hard to defend when oil prices are as soft as they are at present, and for the moment at least the underlying dilemma has been avoided: can a rise in interest rates, the last thing the Government wants in view of the poor output figures, be avoided? And would a modest rise in any case have any effect in stabilising the currency, or would it be read as a sign of weakness? The dilemma is unpleasant, and so is the feeling of helplessness about the situation which has posed it; Britain is probably unable and rightly unwilling to help stabilise oil prices, and is self-condemned to a passive role.

However, it is only in Britain's peculiar circumstances that there is any reason at all to welcome the weakness of the dollar, and even in the UK the cause of this weakness—the disappointing US trade and growth performance—is a matter for concern, not relief. Indeed, the dilemma facing the US authorities can be stated in almost exactly the same terms in which we have described the British situation. The economic indicators suggest that economic policy is too tight, but the currency is weak enough to cause concern.

Temporary damage

A speculative run on sterling, which could still be a danger if the most bearish forecasts for oil are borne out, would be an acute embarrassment for the British Government, but probably a temporary one. The markets generally believe that the oil price is being driven down deliberately by the Gulf states, in accordance with their stated policies, in order to drive some marginal producers out of the market and make the rest more amenable to cartel discipline; and the market, as reflected in oil shares as well as the modest overall fall in sterling, is betting on a limited victory for the Gulf states, though not in the near future.

The damage to the British current account will therefore be temporary, if the markets are right, and sterling will also trade more like other currencies once the oil market is thought to have stabilised. Meanwhile, some fall in the real sterling exchange rate is appropriate, as the Prime Minister herself has argued; and given the recent movement in British costs, there is no reason to suppose that the fall has been overdone.

The US dilemma, on the other hand, is far more intractable and the dangers are not limited to the US economy. There is a clear, though not yet a pressing risk that the dollar could come under strong speculative pressure if the growth and especially the trade performance of the US does not show some signs of improvement in the coming months. This could pose the adjustment crisis which some analysts — notably Mr Stephen Marris, a senior veteran of OECD forecasting—have been expecting for a long time. The danger is that a dollar collapse could push the US economy into downright recession, and tip US policy towards protectionism.

Increasing urgency

This danger has arisen because the markets are digesting a double disappointment. Investors believed the most bullish forecasts of the impact of low oil prices on world growth, and are now waking up to the fact that the initial impact was quite sharply deflationary, through a sharp worldwide fall in energy-related investment. They also believed that the US current account would respond promptly to the devaluation of the dollar, reducing the trade and incidentally the fiscal deficit in the US.

The US is arguing, with increasing urgency, that policy in other countries, notably in Japan and West Germany, should respond more readily to these disappointments, and that some fiscal/moretary stimulus should be applied to help both world growth and the US deficit, and it seems clear that this call will dominate international economic discussion. Events seem to be arguing the US case. It would also be useful if expectations could be re-established on a more realistic basis. Lower costs in the industrial world and a more competitive dollar will have some effect in due course; we need an authoritative reassessment of the time scale involved.

Job security and profits

THE BRITISH Government's new consultative document on profit-related pay is one more example of the retreat from radicalism. In this case, however, the backtracking owes less to the demands of the electoral timetable than to the hostile response elicited by the Chancellor of the Exchequer's original budget statements on profit sharing.

In place of a bold plan in which 20 per cent of pay would have had to be profit-related in order to qualify for tax relief, we have gradualism: a minimum figure of 5 per cent of pay, together with the hope that companies will build up over time to a maximum of 20 per cent. There is also a marked reduction in the potential amount of tax relief for individual workers, although the Government is no longer talking of limiting the reliefs to a period of three years; the arrangement would simply be reviewed in the light of events. The reliefs would also be made available to profit sharing schemes that operated for as little as one year, instead of earlier proposals for a three-year minimum qualifying period.

The likely outcome of all this is that a larger number of people would each gain a smaller amount of relief. The question is whether, in this diluted form, profit sharing would really commend itself to employers and employees and meet the twin objectives of moderating real wages and increasing employment.

Successful schemes

By opting for a gradualist approach, Mr Nigel Lawson has undeniably made his genuflection to conservatives in British industry. Employees, on the other hand, are unlikely to believe popular press headlines that are already, misleadingly, heralding the arrival of tax-free pay rises. In practice they would have to decide whether any tax reliefs that the Chancellor may ultimately hand out justify a trade-off that involves less secure income in exchange for more secure employment.

That decision, which involves a judgment about the future profitability of the company, is not easy. And it is interesting that a majority of companies chosen by the Government to illustrate successful existing profit-sharing schemes, comprises banks and retailers—both areas where a trade-off between job security and security of income has, until recently, been largely academic.

Where the Chancellor has met the critics head-on is in addressing the problem of the conflict of interest between the existing workforce, for whom any increase in employment means a dilution in profits per head, and so-called "outsiders" —the unemployed. The green paper now proposes a two-tier pay system in which recruits to the workforce would not initially be eligible for a share of profits.

Deserved welcome

Mr Lawson also made it clear yesterday that he saw it as management's responsibility to ensure that the existing workforce did not discriminate against outsiders or oppose capital investment on the ground that profits would be depressed in the short term. Whether British managers who are now conceding large increases in real pay will be any more inclined to perform robustly on this score is a moot point. And the tenor of the Chancellor's remarks seems at odds with those of Professor Martin Weitzman, the chief academic proponent of profit sharing, who declared in Britain earlier this month that profit sharing opened up a new and potentially constructive role for trade unions.

Any scheme that brings greater employee identification with the company and adds flexibility to the process of pay determination deserves a welcome. But as Mr Lawson himself acknowledges, his scheme is no panacea. In its scaled-down form it leaves him open to the accusation of tinkering. Yet he is scarcely raiding the Exchequer for huge sums. In the present state of the labour market the case for all forms of experimentation involving co-operation between labour and capital to promote employment deserve a fair wind.

UK machine tool industry

Clouds behind the silver lining

By Nick Garnett

IN LONDON's sweltering glass-covered Olympia hall, some of the world's biggest machine tool companies rubbed shoulders earlier this month at one of the many exhibitions of metal cutting machinery that pepper the calendar.

Japanese salesmen with tinted spectacles, regulation blue short-sleeved shirts and black ties circulated around their stands as kimono-clad hostesses served potted meat sandwiches to potential customers.

The West Germans, up from Baden-Württemberg and North-rhine Westphalia, handed out glossy brochures and earnestly demonstrated the latest tool changers.

The hall was liberally sprinkled, too, with many of Britain's machine tool makers. Small, still vulnerable and 50 per cent US-owned, the British machine tool industry has confounded the sceptics. Written off during the gruesome years of shrinkage and decline not so long ago as a patient too sick for rehabilitation, the industry has begun to stage a comeback.

Sales of UK manufactured and assembled machine tools jumped 20 per cent last year to £603m, the second successive substantial increase, according to figures published last month by the Machine Tool Trades Association.

But the near euphoria experienced by many UK toolmakers during the past 18 months has now been tempered by a hint of self doubt. Looking over their shoulders, some companies have begun to ask whether the historical frailties of the UK machine tool industry will plague them again. Will lack of investment and technical development, shortages of apprentices and skilled design engineers, the ever-weakening condition of its home customer base and the sheer size and innovative aggression of its competitors return to haunt the industrial estates of Leicester, Coventry and Birmingham and the other outposts of this once powerful industrial sector?

The recent phasing out of capital allowances is already beginning to hit the domestic market. And a hundred miles north of London, another potential headache for Britain's indigenous manufacturers is rising from a 15 acre site in the picturesque town of Worcester.

Having been thwarted by the powerful domestic machine tool lobby from setting up in West Germany, Yamazaki, one of the world's biggest producers, is putting the finishing touches to an assembly plant capable of producing 1,200 machining centres and lathes a year with a workforce of little more than 200.

Though most observers expect that the Yamazaki operation will hurt importers first, there is much unease that its products will cut right across the ranges of some of the best-known names in the UK. News of the £5.2m assistance which Yamazaki is receiving from the Government went down in the industry like a lead balloon.

For the moment, however, anyone seeking positive symptoms of the industry's health need not look too far. Employment, which had fallen by a third to 30,000 during the depths of recession, has begun to climb, with another 2,000 now working in the sector.

Imports, which rose to an uncomfortable 58 per cent of UK consumption six years ago, have been held at 10 percentage points less than that for three years running. British companies are typically exporting between 40 and 70 per cent of output now, escaping the trap of dependence on a fragile home manufacturing base.

All this is helped by the steep rise in the value of the yen, which is sending a chill through the big Japanese manufacturers. The Japanese are used to flourishing with margins of just 1.5 to 2.5 per cent on the back of colossal volume. But prices of Japanese

'Out of the pain has come the opportunity. Size isn't everything'

equipment in the UK have been forced up by almost 30 per cent in eight months, more than wiping out their cost advantages. Britain's machine tool industry is familiar with this syndrome—six years ago, with a very different yen and a 24 per cent inflation rate in the UK, the industry suffered an increase in costs of 50 per cent against the Japanese in just 12 months.

But there are many examples of progress in the industry which have little to do with the foreign exchanges. UK makers of machining centres, the increasingly popular all-purpose tool typically selling at £85,000 to £200,000, are engaged in a remarkable fight back against foreign competitors.

Mainly due to three companies—Bridgeport, Wadkin and the Norwich-based family firm of Beaver (and to a lesser extent TI's Matrix machines)—UK-made machining centres now account for 40 per cent of UK unit sales against 25 per cent three years ago.

Much shrewder marketing has resulted in a range of companies (including Bridgeport, Kearney Trecker Marwin (KTM) in Brighton and the 600 Group with its Harrison and Colchester companies) setting up advice and technical centres to assist customers on the best way of using their machines. On the academic front.

Apart from the bigger machining centre makers, a large clutch of companies, fleeing the mercilessly priced stack 'em high markets, are making profits now—or at least surviving—within niches based either on high precision products or on the specific demands of the aerospace, car and oil companies.

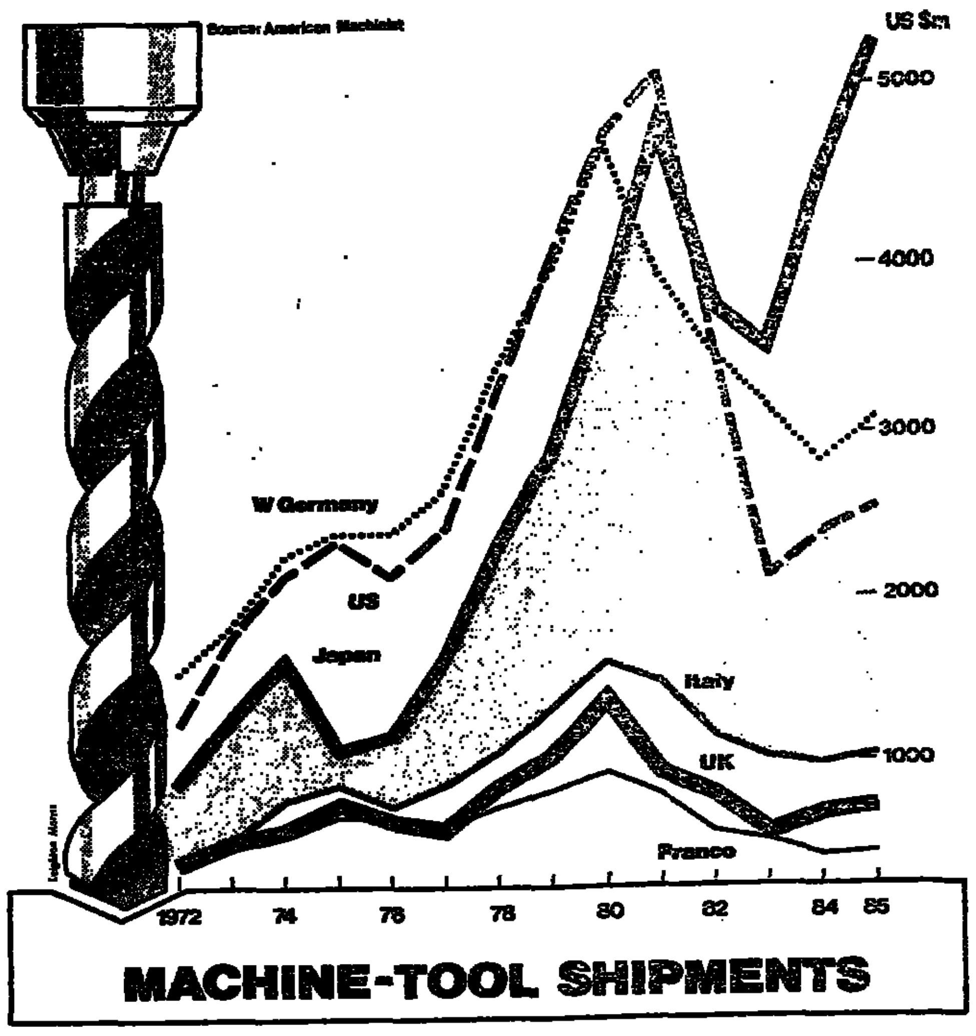
Jones and Shipman, for example, employs 800, made £2m profit on a £20m turnover last year and is a world leader in high-precision grinding and honing machines. Lapointe, a remnant of the old Staveley empire, has a turnover of £9m making specialist broaching machines—used for example, in making the "fir tree" roots on turbine discs—and exports 80 per cent of its output.

Arbroath-based Giddings and Lewis-Fraser, part of AMCA of the US, though hit by the oil industry's troubles, makes a range of horizontal borers, machining centres and lathes for industries demanding rigorous tolerances. Ex-Cell-O, alongside Bridgeport in Leicester, makes its living out of automotive transfer machinery. Elliott has its specialised machining centres while KTM extracts 40 per cent of its turnover from the rather unusual if risky business of linking machines in flexible manufacturing systems.

Smaller companies have also found market slots which they can inhabit comfortably. Brierley employs 40 in north Wales making drill grinding machines and sells its tool and cutter grinders in Japan. Denford, in the hilly west Yorkshire town of Brighouse, is a leading European producer of tiny lathes and machining systems for training in schools, colleges and company workshops.

There is no shortage of people queuing up to defend the industry's recent performance. "I am an inveterate optimist. The trend will continue. We as a company are going to take some shifting from our position," says Mr Stephen LeBeau, marketing director for Bridgeport, the subject this month of a UK-US management buyout from its US parent Textron, and probably the biggest single producer of machine tools in the UK.

Mr Mike Goddard of Wadkin, which has carved out a market for itself in selling engineering solutions to customers, says: "Out of the pain has come the opportunity. I think the optimism is justified." He adds that "size isn't everything."



Mr Ron Ball, president of the MTTA, shares this view, pointing out that while the industry is smaller than it used to be, it is "dynamic," more customer-orientated and with the will to become stronger.

Some of the UK industry's competitors, however, would not agree. "There are some good companies in the UK but some others are very sick," says a senior manager at Traub, the big West German turning machine maker.

The UK machine tool sector is, on the face of it, the world's eighth biggest producer. In Western Europe it is behind Italy and Switzerland and is only a quarter the size of the powerful West German machine tool industry, the world's biggest exporter and number two in total production to Japan.

Some critics believe that one of the long-term consequences of the assembly and manufacturing agreements between British companies and the Japanese — including those between Bridgeport and Yasuda, DeVlieg and Okuma, KTM with Mitsubishi, Pollard with Mori Seiki and TI with Takahama—could be to eat into what it left of the industry's engineering skills.

At one end of the spectrum, Bridgeport has completely Europeanised its Yasuda-originated machines, manufacturing everything in-house or using local components except for the controls, and in the process learning much from Yasuda on improved manufacturing techniques. But at the other end, Pollard simply assembles Mori machines that arrive in crates (though the company makes pallet changers and other associated equipment as well as its own drilling and special purpose machines).

At the moment, though, made-up machines from imported kits form only a small proportion of UK output. "Just assembling is a disaster for the UK," says Mr Maurice Carmen, Wadkin's technical manager.

Britain's component supply infrastructure is already weak and, in parts, long collapsed. Many British-made machines use Italian drives, Japanese ballscrews, German linearscales.

Following the disastrous re-organisation of the British numerical control industry in the 1970s when Plessey's activities were lumped in with those of Ferranti and Airmec, lack of managerial interest and investment killed off the country's mainstream control business. British-made controls for machines other than the smallest are virtually non-existent.

The industry still frets that it is being starved—and is starving itself—of apprentices and innovative engineers. Beaver, owned by the Balding family and a real success story, tripling turnover in four years, has brought out new machines recently and two years ago opened a new plant in Peterborough making its in-house designed CNC lathes. Mr Joe Booth, Beaver's production director, laments the loss of skills and technical expertise: "Innovation seems to be dead in this industry. We've got to change things."

The weak state of general British manufacturing is a permanent impediment. West German consumption of machine tools last year soared by almost 30 per cent. The Japanese produce a quarter of the world's machine tools and consume 60 per cent of that output domestically, though those days may be coming to an end as more Japanese industry is forced to manufacture abroad.

German machine tool companies, which are supported by a rigorous system of industrial standards that foreign competitors must also meet, and which serve powerful and nationalistic domestic vehicle and engineering industries, are rushing back into profits. They are reported to be loaded with orders—up to 25 per cent above predictions made last year. The Italians have carved out an industry for themselves as kings of the flashy, flexible manufacturing system and the equipment that goes into it.

A new threat from the Far East is also in prospect. Taiwanese producers like Dah Lih have been hit by the yen price of many of their Japanese-made components, but the number of machining centre manufacturers in Taiwan jumped last year from 24 to 36.

Significantly, many UK importers of Japanese equipment have been turning to the big and fast rising Koreans like Kia, whose dollar-based output gives them new cost advantages. Another big Korean producer, Daewoo, committed to overtaking the Japanese in both cost and sophistication, has been clearing out its secondhand Japanese production equipment and installing the latest German-made production lines.

A few years ago the British machine tool industry was in its knees. Now factories are reasonably full and their managers reasonably—though not overwhelmingly—confident. Having survived fire and brimstone they are back to fighting the same old battle alongside the rest of Britain's engineering industries: trying to find a place for themselves and then protecting it in a hostile world market.

Men and Matters

No Land of promise

The sudden departure of David Davies, aged 46, as chief executive of Hongkong Land puts one of the international financial community's most stylish operators back on the job market.

"It's always a question of timing. When does one do anything?" said Davies on the 'phone from Hong Kong. He seems to be adopting an Oriental philsophical attitude to his resignation after only 2½ years.

Davies leaves his executive suite in Land's spectacular Exchange Square waterfront hq after taking on the biggest corporate challenge of his life. The task was the rescue of a property group that was perilously close to collapse as the result of a slump in the colony's property market, and a series of unfortunate local partnerships.

While some thought at the time that his decision to leave the safety of MEPC, the Park Lane, London, investment and development group, where he was finance director and vice-chairman, was professional suicide, Davies judged otherwise. He saw the job of resurrecting Hongkong Land as a once-in-a-lifetime chance to prove his financial prowess.

After three years in the hot seat his efforts have been bearing fruit recently with the group's debt burden resuming manageable proportions, and profits back in fashion. But the latest outline plan to sell off Hongkong Land's successful Dairy Farms subsidiary was clearly not to his liking.

A Winchester and Oxford man whose society lifestyle has made him a gossip column favourite, Davies is uncharacteristically reluctant to say too much about his departure from a job which, initially, he predicted would take five years to complete.

He says he has no job lined up. He plans to take a short break in Ireland before going in search of something new. Any property group needing fresh blood at the top?

"It's the only way I could think of breaking into show business"

City friends

Victor Blank, chief executive of Charterhouse, has brought in two new senior men—Tony Best as head of banking from Royal Trust of Canada, and Michael Ordish, who joins from City solicitors Clifford Turner as director responsible for compliance.

Ordish's transfer reaffirms a strong link between Clifford Turner and Charterhouse going back to the very origins of the investment house.

Nutcombe Hume started Charterhouse Investment Trust in 1924 under the guiding hand of Harry Clifford Turner, the founder of Clifford Turner.

Clifford Turner was again helpful to Charterhouse during the Second World War when Charterhouse's Swithin's Lane premises in the City were bombed. Clifford Turner took the company in at Old Jewry.

Later Bill Ram, a former Clifford Turner partner became chairman of Charterhouse in the 1960s. Last but not least Victor Blank, before going into the banking world, was a Clifford Turner partner.

Peeping banks

Banks in West Berlin are attempting — without much success — to stop their customers from ogling the cheque-books and cash of the person being served by the teller.

This practice is as time-honoured in Germany as that of not queueing for buses, taxis or anything else. One Berlin bank installed velvet ropes in a bid to get its patrons to wait, as in Britain, the US and other countries, several metres behind the customer being served.

But the Berliners barged through the roped-in area because, one Berlin banker said, anything like a queue reminded them too much of the post-war era and shortages.

Before the airlines introduced reserved seats in Germany in the 1970s, planes were invariably stormed by elderly ladies with sharp elbows who were afraid of not getting seats.

Spokesmen for several Berlin banks suggested it was a question of "different mentality" in explaining why bank customers were so curious about other people's cheques, cash and savings books. The city-owned Sparkasse (savings bank) was ordered by the Berlin office to protect personal data and advise its customers to keep a "discretionary distance" behind the person being served.

The bank has introduced diagrams showing the distance to be kept. But few customers are taking the hint.

A Berlin banker notes that despite the advice of the banks, customers frequently collect as much as DM 20,000 from a teller and stick the cash in their pockets in full view of everyone.

Capital sound

The London commercial radio station Capital Radio has just demonstrated it can handle words as well as pop music by beating the BBC in an international comedy contest for a cup presented by Monaco Radio.

The BBC submitted a programme called The French Connection—a Victorian-type entertainment about the Channel tunnel.

Capital's prize-winning programme was La Non-Encylopedie du Rock—a parody of rock music programmes in which the station recklessly sent itself up.

Afterwards the BBC rang Capital to ask who had been the translater into French of the rock programme.

"Philippe Bertrand, the programme's engineer," came the reply.

"You misunderstand, my dear lady," said the BBC man. "I am required to inquire about the transference of the language wordage from the initial English, as spoken in this country, to the subsequent French, as spoken in the country of France."

But it had been the engineer —a Belgian by birth. Capital says his English is good too—rather better perhaps than that of the man who rang from the BBC.

Of no account

The response from a Hong Kong investment house to a reader's queries about a share account: "We have now rectified the position and all your current account are in NIL balance."

And, for further comfort: "Besides, we have now close your account with us."

Observer

ECONOMIC VIEWPOINT

Profit-related pay comes of age

By Samuel Brittan

THE INITIAL reactions to the Chancellor's Budget remarks about profit-related pay showed the British business and economic establishments at their worst.

Some said that hardly any firms would take it up, and others that it would be a gift to tax-avoiders. Hardly anyone noted the contradiction between the two criticisms. Industrial relations directors especially were afraid of upsetting their cosy "*going rate*" annual pay round.

Economists who had for years been arguing that the Government *should* "do something" about pay, *retreated into nit-picking* criticisms. Many commentators, who had previously criticised the Government for not being interested in profit sharing, fell silent.

The fact that a Conservative Chancellor had picked up the *idea was enough to damn it for* many.

The Government has not exactly turned the other cheek to all this criticism. But in the green paper published yesterday Mr Lawson has shown himself in the perhaps unlikely guise of the "*listening* Chancellor," and acknowledged that "the conditions for any tax relief needed to be simplified if it was to be attractive and accessible to a wide range of businesses."

The green paper scheme *differs substantially* from earlier statements. Gone is the suggestion that 20 per cent of a worker's pay packet might have t obe transferred into a profit-related bonus in order to qualify. The bonus can now be as little as 5 per cent of the wage *bill. It can build up* gradually from there, but it does not have to, and there is no requirement for a longer commitment. Moreover, the tax relief is no longer limited to three years but would be reviewed by future governments *in the light of the effects.*

This makes it much more like profit-sharing as employers already know it, and less like a new-fangled pay system. Nevertheless, if the profit-related element built up to, say, 20 per cent of total pay *over several years*, the great advantage canvassed by Professor Martin Weitzman — that of reducing the cost of taking on extra workers in good times, and of providing a cushion for cost-cutting other than by redundancies in bad times — *will gradually* be injected into the pay system.

Prof Martin Weitzman

The profit related bonus will *come from a "PRP pool." This* could be related either to profits or to the yearly change in profits by a formula of the employer's choice. In one illustrative example, the PRP pool is one-eighth of profits paid in an annual lump sum, when audited profits are declared. In a second example PRP is paid monthly on the basis of provisional profit figures. In a third example there is a pool, which is increased by 1 per cent for every 2 per cent increase in profits and reduced for every decrease.

The arrangement could apply to a whole concern or any section for which audited profits are available. Companies would have some choice in the definition of profits, so long as a consistent method were followed. The figures would have to conform with normal published accounts, but an annexe lists several permitted adjustments, including the deduction of tax.

Exemption from tax would *apply to a quarter of PRP* received by each employee, up to a limit of 5 per cent of total remuneration or £1,000, whichever is the lower. As a result, a worker earning £10,000 per annum ("close to average earnings") could gain tax *relief up to £3 a week, compared* with the £5 originally mentioned by the Chancellor. A *higher paid* worker could gain relief up to a ceiling of £6 a week.

PROFIT RELATED PAY

(Annual cost)

Employees involved	% of Pay Profit-related	Exchequer Cost (£m)
½m	5	18
½m	20	72
1m	5	36
1m	20	145
2m	5	72
2m	20	290
3m	5	108
3m	20	435
6m	5	216
6m	20	870

It is assumed that the average worker is on £10,000 p.a.

As the table shows, the Revenue costs of the reliefs are minimal. Most such tables are in billions of pounds. This one is in millions.

Unincorporated businesses are eligible, but the public sector is excluded. This leaves about 12m workers theoretically eligible. If the scheme were included in the 1987 Finance Bill, it could be in operation by 1988.

If 1m workers had 5 per cent of their pay profit-related the cost would be £36m. Even if, eventually, 3m workers had 10 per cent of their pay in this form, the cost would just *exceed £200m. If it* were wildly successful and 6m workers had 20 per cent of their pay under PRP, the cost would still be below £900m—and this would not occur for many years.

Even then, the gross cost would be much less than the £1.2bn cost of a 1 per cent reduction in the basic rate; PRP, however, stands a much better chance of paying for itself by generating more output and *employment.*

Nevertheless, the Treasury, which has never liked PRP, seems to have thought that softening the conditions compared to the original NEDC paper would mean a greater take-up and that tax incentives *would have to* be reduced to limit the cost.

It was also too influenced by the supposed unfairness to ineligible workers. To this there are *two* answers. The first is that many of the ineligible workers, being in the public sector, are less at risk from unemployment. Secondly, life is unfair, but the greatest unfairnesses are suffered by the unemployed, not ineligible workers.

The main hope must now be that the interest and controversy generated will stimulate employers to investigate profit-sharing. The fiscal incentive has become a lump of sugar, rather than the glass of champagne originally promised.

*In view of the great poten*tial benefits which accrue not to already employed workers, but to workers who might be priced into jobs — with consequent benefits *to national* output and to the tax base — a more generous relief is justified. (Even Treasury knights know about "externalities.")

Critics would be better employed in campaigning for a larger incentive than in negative carping.

Nevertheless, it is easier to *campaign for increased fiscal* incentives, if the design is basically right, than to put right a faulty structure. The green paper proposals are from this point of view an improvement — not necessarily theoretically better than the Chancellor's original ideas, but more likely to appeal to British business.

Indeed, the green paper contains a table of companies already adopting PRP including Boots, British Airways, Sainsbury's, Marks and Spencer *and the clearing banks*. There is no guarantee that they will qualify for tax relief. But there is at least a hint that they are on the right lines and might not need more than a few adaptations to do so.

The green paper tackles three *common arguments* against PRP. First there is the greater uncertainty of pay levels under PRP. Pay is in any case often already uncertain because of overtime, short-time, piecework and so on. The workers on PRP trade off slightly greater income uncertainty against greater (not of course complete) job security. There is an *upside risk too. If* the more traditional advantages of greater employee identification and involvement (at last now dutifully emphasised by the Treasury) are realised, the potential for higher earnings could be important.

The second objection is that if pay is more closely linked to profits, employees will want to involve themselves more closely in corporate decisions, starting from the monitoring of profits. The green paper here uncompromisingly says that this involvement will be "a benefit, not a drawback."

The third and most interesting criticism is that the existing "inside" workers will try to defeat the logic of the scheme by resisting the recruitment of new workers, which might dilute profit per head.

The Government here goes beyond Weitzman, who emphasises the responsibility of management for recruitment and the economy-wide benefits of PRP. The green paper makes it clear that new "outside" employees need not be eligible for PRP, until they have been employed for some minimum period of "say 12 months or *more*" (my italics, Para. A18). *This is the biggest single* improvement.

The way is thus open for a relatively non-provocative form of two-tier pay system. Prof James Meade's more far-reaching labour-capital partnerships would probably qualify for tax *relief* under the green paper, as I think would most employee-owned companies, if they consulted their lawyers or accountants.

Prof Meade himself went out of his way at a conference last week to say that he was being *misrepresented as being* opposed to profit-sharing. He was in favour of encouraging a great variety of reforms in pay-setting, including profit-sharing.

One worry of Meade's is that profit-related pay might discourage investment by reducing the return to existing shareholders. This is discussed by Prof Weitzman in a lecture to the Employment Institute. It should have been bound together with the green paper, for it contains by far the best refutation of current objections. *Weitzman points* out that investment need not suffer if there is flexibility either in basic pay *or in the profit-related* formula.

More fundamentally, if widespread adoption of PRP takes the economy nearer full employment, the beneficial effects on investment will dwarf any mechanical drawbacks.

There is only one argument against PRP. This is mentioned in the green paper, and is the case for a "neutral tax system, with a broad base, low rates and *few specific reliefs*". As this case is for the birds as far as the Prime Minister and the Cabinet policies are concerned we might as well have some reliefs which can help overcome stagflation, and not just special interest reliefs which do nothing but harm to the wider economy.

UK industrial relations

Why Labour may take a leaf from the Tories

By B. C. Roberts

INDUSTRIAL RELATIONS *were not a major issue in recent* by-elections, but what kind of industrial relations systems we are likely to have in the future will be a factor of central *importance in the next general* election.

The can be little doubt that the radical changes made in the law by the Conservatives relat*ing to the role of the unions and* the rights of individual employees and employers have made a significant contribution to raising the levels of efficiency of the British economy.

Although union leaders have bitterly criticised these amendments to the law, many increasingly recognise that they have been popular with their members, and that some of the changes may have been to the *advantage of the unions.* They are delighted that all 37 TUC unions with political funds have successfully held ballots. Perhaps more surprising than union opposition have been the fears expressed by a few personnel managers, strongly attached to voluntarism and *legal* abstention which was the central feature of the classic model of *British industrial* relations, that the new laws may be encouraging macho management. There is little evidence to support this contention. Most managers, unlike in 1971, believe that the 1980s legislation has brought a better *balanced legal framework* which they welcome; few have found it necessary to use the law or contemplate doing so. They believe that they have done no more than necessary to secure changes essential to the survival of their business *that have been understood by* their employees and have not, with isolated exceptions, soured industrial relations. Judged by the level of industrial conflict, these are better in the private sector than for a great many years. This improved climate is stimulating more open, more participative and more constructive attitudes from both managers and workers, with highly beneficial results in productive performance.

The public sector has become the main problem area of *industrial relations*, largely because it is organised in large units, tends to be bureaucratic and is highly unionised; and because in the last resort governments are vulnerable to pressures exerted on the public by unions with power and *determination* to advance the interest of their members whatever the cost to the public purse. Whichever party is elected to follow the present government, it will face a difficult problem in the public sector since there is no way in which unemployment can be brought down generally without some restraint on pay increases in the public, as well as private, sectors and a considerable improvement in efficiency.

The TUC and Labour Party committed themselves to the repeal of the 1980s legislation, lock, stock and barrel, but have become aware that a great many union members welcome the democratising of union governments and decisions on strike action and they will probably leave these obligations intact, possibly even extending them. The attraction of total repeal of existing legislation and its replacement with a system of positive legal rights, in place of immunities, appears to have faded as they have come to realise that this could not be achieved without *a considerable conflict* over exactly where the boundaries of the exercise of such rights should be drawn.

The parties may not be as far apart as some members suggest

The strategy the TUC and the Labour Party seem likely to follow will be to amend existing legislation on individual employee rights in relation to picketing, union recognition, closed shop enforcement and internal union decisions and elections. There would be a return to a broader definition of a trade dispute and limitations on the granting of injunctions against unions. *In addition, it is* probable that the unions will seek a restoration of minimum wage requirements, extension of union agreements and possibly provision of compulsory participation rights in certain areas of management decision making.

The unions and the Labour Party seem to be suggesting a partial return to the policies of the 1970s that falls significantly short of repealing all the changes made since Labour was last in office. Emphasis on individual rights would reduce the role of collective bargaining and industrial conflicts and make for a greater dependence on legal and other third party processes. If they were also to restore the immunities which the unions previously enjoyed, this would encourage resort to conflict and once again tip the balance far too much in favour of the unions.

It can be argued that the balance now reached between employers and unions is about right. The corpus of protection for individual workers' rights, especially the longer service employees, remains in place, but amendments have made the regulations less onerous on the smaller employer, removing a discouraging factor in the relatively poor record of Britain in establishing new enterprises. The incitement to irresponsible bargaining behaviour inherent in the almost total freedom from legal regulation previously enjoyed by the unions has been diminished, but this has not prevented them from negotiating rates of pay well in advance of inflation and securing other improvements in conditions of employment. It would be of no benefit to the unemployed, or in the long run to those in work, if the unions were again given a legal status that might encourage them to impose costs on change, as misguidedly as *they did in the past.*

There are important differences between the parties on the issue of industrial relations law reform, but they may not be as far apart as utterances from some members suggest. Since the Alliance is closer to the Conservatives in its policy in this area, only an outright victory by Labour would provide an opportunity for a wholesale reversal of the changes *introduced since 1979. Even in* those circumstances, it is possible that Labour would retain more of the existing legal framework than might appear likely from past declarations. The possibility that a new model of industrial relations, broadly supported by all parties, owing a great deal to the reforms introduced in the 1980s by Mrs Thatcher's government, will be in place by the 1990s, is not entirely remote.

The author is Emeritus Professor of Industrial Relations, London School of Economics.

Letters to the Editor

Accounting standards

From the President, Institute of Chartered Accountants in England and Wales

Sir,—Your leader of July 10 (the role of auditors) contains four misconceptions about issues facing the accountancy *profession.*

The latest annual survey of financial reporting published by this institute does not state that "standards are being widely ignored and companies are failing fully to disclose their results." It does suggest that some standards should be tightened to take account of new trends in commercial transactions. The Accounting Standards Committee has this work in hand. It is this process of constant appraisal that has helped ensure that British standards of financial reporting are among the highest in the world.

The *institute is not* proposing to include in its disciplinary powers firms as well as individuals because "conflicts of interest are intensifying." The recent proposals are designed to recognise that increasingly decision making and quality control are undertaken collectively rather than by individual partners within the firms. To be effective any system of professional discipline must take account of the organisational structure within which its members operate.

Your leader overlooks the fact that the profession is already supervised by the Secretary of State for Trade and Industry under s.389 of the Companies Act. There is no reason to believe that a further layer of supervision would in any way increase the effectiveness of the institute's regulatory processes. Experience of more legalistic approaches elsewhere through statutory bodies is not encouraging: they tend to lead to increased complexity, extra burdens on management, concern with the letter rather than the spirit of the requirements and to a lack of responsiveness to the public interest.

Companies large and small expect their auditors to provide a wide range of services. There is no evidence that the independence of auditors is being undermined when these services are provided. Indeed it cannot be otherwise. A firm's very survival depends on its integrity, objectivity, and the maintenance of its independence.

Derek A. Boothman.
PO Box 433,
Moorgate Place EC2

Muddle over pensions

From Mr I. Walker.

Sir,—Of course you are right in your editorial (July 2) to say that the Government is in a muddle over pensions. The Government should not be involved in the design by legislation of pension funds, as is now becoming the case, but should provide a minimum state subsistence pension and incentives and encouragement to people to save for their retirement.

The *state earnings related* pension scheme which is a major part of the muddle, owes its existence to the failure of the pensions industry to take enough interest in 50 per cent of the working population to encourage them to make pro*vision for their retirement* whether on a personal or a company sponsored basis.

A further reason for the muddle is again the failure of a major part of the pensions industry to provide pension schemes that are reasonable in the eyes of the members.

The Government has been forced to legislate to ensure that members who leave pension schemes have any real rights at all and, more recently, that their pensions are not left completely unprotected against the ravages of inflation.

The proposed legislation on the over funding of schemes is an attempt to curb the excesses of some companies who to treat their pension funds as a safe haven for profits to be drawn upon at their convenience.

I deplore the plethora of legislation that has engulfed pensions in recent years. I believe the situation will only be salvaged if more advisors and actuaries design pension schemes that don't require legislation to make them equitable to all members.

Iain B. Walker,
89, High Road,
South Woodford E18.

Realising profits

From Mr J. Workman

Sir, — Alice Rawsthorn's article (July 5) on the business expansion scheme concentrates on the performance of a number of BES funds seen in the light of the number of failures they have experienced. While this is one measure of performance which is quite unequivocal, it is perhaps unfair to compare the failure rate in funds with those in the scheme overall. A large proportion of direct BES investment goes into low-risk, low-reward investments, where the chances of a total loss are slight and risk is in being able to obtain realisation and whether high front end costs will ever be recovered. The policy of most fund managers, a policy endorsed by the Peats report on the BES, is to invest in companies with real growth prospects. These companies have a higher risk profile: they are more likely to go bust, but if successfully selected the rate of growth achieved by the survivors should more than compensate for the failures. After all losses, for the higher rate tax payer are relieved at a rate of 60 per cent, while capital gains are now tax free. You can only lose your money once; but you can make it several times over. The key is to realise profits.

J. D. B. Workman,
Castleforth Fund Managers,
26 St Andrew Square,
Edinburgh.

Monetary policy

From Mr J. Derpanopoulos.

Sir, — The incredulity with which central banks are responding to increasing signs of world economic recession is cause for alarm. Industrial production is sagging in most if not all major economies while real borrowing costs (defined as nominal rates minus wholesale inflation) are historically high and in several cases increasing. Meanwhile oil prices are treading the $10 per barrel mark, commodity prices are back to their 1974 level (even when expressed in depreciated dollars), and Third World problems are approaching insurmountable levels.

While the official justification for monetary orthodoxy remains the rapid rates of money growth, nothing demonstrates better the pitfalls of this argument than a breakdown of the last batch of monetary statistics in this country. While sterling M3 rose by another 1½ per cent dashing hopes for a base rate cut, nobody paid the right attention to the fact that most of this bulge was attributed to house purchases. Thus industry is being clearly penalised by high real borrowing costs as a result of events taking place in a different and unrelated sphere of the economy.

While everyone seems to be concerned about the inflationary implications of rapid monetary growth, debt being the other side of the coin of "money" or liquidity can be deflationary as witnessed by the LDC situation where larger quantities are being exported at depressed prices in order for interest to be paid on the loans. Rapid monetary growth is inflationary if used to finance increasing government deficits (ie, reflation), something that is clearly not the case in the developed world today. Meanwhile one should not be surprised to see UK, US and other heavily indebted consumers suffer declining living standards (and hence lower consumption levels thereby reinforcing the deflationary trend) so as to pay off their consumer debt and mortgages.

It is about time that policy makers paid more attention to the real economy (including the housing market) and less to the money supply for which experience shows they have insufficient understanding of. If they are concerned, for instance, that the London property market is acquiring the characteristics of a speculative bubble, they could well enforce tighter borrowing criteria for mortgages.

John Derpanopoulos,
Sarasin International Securities,
5-6 St Andrews Hill EC4.

Access to records

From the Registrar, Data Protection Registrar

Sir,—Since my report to Parliament last week there has been comment on the right, under the Data Protection Act 1984, for individuals to have access to their medical records which are held on a computer. The Act allows an order to be made which could remove or modify this right and the Department of Health and Social Security has been taking views on this.

The issue is complex and sensitive and a wide range of views are held by doctors and others. I should be grateful for the opportunity to make my own views clear.

The removal of the right would not be consistent with the spirit or intent of the Act, or the Council of Europe Convention the Act seek to ratify; the modification of the right in particular circumstances, where to give an individual medical information would seriously damage him or her, could be consistent with the Act and the convention, both of which seek to benefit the individual. The right of access might perhaps be delayed in order to give a doctor time to counsel his or her patient.

The mechanism by which a modification could be implemented would need careful consideration. There should be a right of appeal by the individual to the registrar or the courts—this would be consistent with other "tests of prejudice" in the Act.

Overall, as stated in my annual report, I believe that any order should change the rights conferred by the Act as little as possible. Whether an order will be made and its eventual form are ultimately matters for the Secretary of State and Parliament.

E. J. Howe,
Springfield House,
Water Lane,
Wilmslow, Cheshire.

FINANCIAL TIMES

Wednesday July 16 1986

Hussein claims PLO has interfered in Jordan

By Tony Walker in Amman

KING HUSSEIN of Jordan has accused the Palestine Liberation Organisation(PLO) of interference in his country's internal affairs. He indicated this was the main reason for last week's expulsion of a senior PLO official and the closure of offices operated by Mr Yassir Arafat's mainstream Fatah faction.

The King, at his palace in Amman, said that the PLO had attempted to influence the outcome of a recent by-election in the north of the country.

"We have conclusive evidence," he said. "There was interference in *terms of payments by the PLO* to help a candidate (in the by-election) who failed."

He also claimed that the PLO was involved in disturbances earlier this year at a university, which left three dead when security police stormed the campus.

This is the first time King Hussein has explicitly accused the *PLO* under Mr Arafat of meddling in Jordan's affairs since the two were estranged late last year when a joint PLO-Jordanian Middle East peace initiative collapsed.

Jordanian officials said last week's expulsion of Khalil al Wazir, Mr Arafat's deputy, and the closure of 25 Fatah offices was in response to a Fatah revolutionary council statement criticising Jordan's policy towards Palestinians.

King Hussein, in a speech on February 19, denounced Mr Arafat as an unreliable partner in the search for a settlement of the Arab-Israeli dispute. The Jordanians claim that the PLO leader reneged on numerous promises to accept the United Nations Security Council's resolution 242 that implies recognition of Israel's right to exist within secure pre-1967 war boundaries.

This was to be the price of PLO participation in renewed peace efforts supported by the US and possibly leading to an international conference at which all parties to the Middle East dispute would be represented, plus the five permanent members of the UN Security Council.

Other points made by King Hussein at a lunch attended by a group of correspondents included:

- He plans to resume attempts to revive reconciliation moves between Syria and Iraq.
- The Arab world, he said, was facing its most dangerous challenges, because of internal divisions and external threats, since the Arab revolt early this century.
- US credibility had suffered a serious series of blows in Arab eyes and America's position in the region was "getting worse."
- He was worried about a mass exodus of Palestinians from the occupied territories that would cause serious problems in Jordan. Jordan had therefore proposed its $1bn economic development plan for the West Bank.
- He was pessimistic about a resumption of Middle East peace efforts, although he was committed to keep trying.

Paris boosts Normed zones

Continued from Page 1

administrative procedures and possibly reductions in employers' social security contributions.

Mr Madelin has long been an advocate of such zones for France in the belief that they have succeeded in Ireland and Britain, and thus threaten to divert investment from France.

Mr Madelin also promised special assistance for subcontractors and suppliers of Normed hit by the company's bankruptcy.

- France's gross domestic product rose by a revised 0.1 per cent in the first quarter of this year, based on 1970 prices, compared with a provisionally announced growth figure of 0.3 per cent.

Howe seeks US support for mission to S. Africa

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT, IN LONDON

SIR GEOFFREY HOWE, Britain's Foreign Secretary, will visit Washington tomorrow and Friday for talks with Mr George Shultz, the US Secretary of State, aimed at co-*ordinating the Western nations'* policy towards South Africa.

The discussions are intended to lend added weight to next week's mission by the Foreign Secretary to South Africa, during which he is due to meet President P.W. Botha. Sir Geoffrey is undertaking the visit as president of the European *Community's Council of Ministers.*

After the disappointing results of his visit to a number of black African states last week, Sir Geoffrey clearly feels the need to broaden the authority behind his mission. If he can win Mr Shultz's backing for the EEC's proposals for the opening of a dialogue between the Pretoria Government and South Africa's black leadership, President Botha will be less inclined to reject them

Mr Derek Thomas, director of political affairs at the UK Foreign Office, was sent to Australia and Japan last week to try to persuade the two Governments to support Sir Geoffrey's South African peace initiative.

Sir Shridath Ramphal, the Commonwealth Secretary-General, said in London yesterday that sanctions were "the only method of persuasion to which Pretoria has ever shown even a glimmer of response."

Sir Shridath, however, appeared to be anxious to find a basis for compromise between the pro-sanctions stand of the majority of Commonwealth members and the fierce opposition to economic sanctions expressed by Mrs Margaret Thatcher, the British Prime Minister.

To be effective, sanctions had to be substantial and concerted, Sir Shridath said at a lunch organised by the Diplomatic and Commonwealth Writers' Association. "But they need not, at this point, be comprehensive or general."

The Commonwealth Secretary-General stressed that, at last October's summit in Nassau, the Commonwealth countries foresaw a staged approach towards South Africa, with progressively stronger measures being applied if necessary.

A full trade embargo would be applied only in the very last resort and be kept in reserve as a deterrent to any retaliatory measures which Pretoria might adopt against the African frontline states.

Sir Shridath, who said he had frequently given a warning that the current differences between the British Prime Minister and other Commonwealth leaders contained the seeds of a serious crisis, nevertheless made it clear that he wanted this month's Commonwealth Games in Edinburgh to go ahead.

He said he had sent a personal appeal to all the participating countries not to boycott the games as long as there was the slightest chance of reaching a compromise on sanctions against South Africa.

The issue of sanctions will be discussed at a mini-Commonwealth summit in London at the beginning of August. Sir Shridath said that if no agreement was reached on that occasion, an emergency meeting of all the member countries was a "probable option."

Peter Riddell, Political Editor, writes: Sir Geoffrey Howe made clear in London yesterday that further measures against South Africa would be considered if the current round of diplomatic contacts with Pretoria failed to make progress.

At a private meeting of the UK Conservative backbench foreign affairs committee, Sir Geoffrey received general support from the 40 MPs present for his mission to South Africa.

Earlier, in the House of Commons, Mrs Thatcher said several heads of Commonwealth countries shared her opposition to general economic sanctions

Sanctions pressure continues to grow, Page 3

Britannia Arrow chief ousted by media group shareholders

BY CLIVE WOLMAN IN LONDON

THE CHIEF EXECUTIVE of Britannia Arrow Holdings, the UK's largest quoted fund management company, was forced to resign yesterday by the two national newspaper chiefs whom he had welcomed as shareholders only six months ago.

Mr Michael Newman, who was paid £140,000 ($208,000) a year, had *come under mounting pressure to* resign over the past two months from Mr David Stevens, whose company controls Express Newspaper, and from Mr Robert Maxwell, chairman of Mirror Group Newspapers. Their companies have built up a 30 per cent stake in Britannia Arrow over the last eight months.

City of London analysts yesterday viewed Mr Newman's resignation as the consummation of a complex and carefully-prepared plan by MIM, the investment management company led by Mr Stevens, to remove itself from the control of Aetna Life and Casualty, the US insurance company, and take over Britannia Arrow. The combined MIM-Britannia company now has £8.5bn of funds under management.

No announcement has been made about Mr Newman's replacement or the replacement of two other Britannia executives who have resigned in the last few days. These were Mr Paul Field, the managing director of Britannia unit trusts, and Mr Bob Dellow, the chief dealer, who had assumed responsibility for investment. But Mr Stevens, who is executive chairman of United Newspapers, the owner of the Daily Express and The Star, is ex*pected to assume effective control* of Britannia, even though Mr Geoffrey Rippon, a former Conservative Cabinet minister, is remaining as chairman.

According to Mr Philip Gibbs of stockbrokers Laing and Cruickshank: "Mr Stevens works a 16-hour day, six days a week, so he could spend eight hours a day with each company – or he might find some loyal lieutenant to manage Britannia for him."

Mr Newman yesterday maintained the silence he has kept during the last few weeks while he has been locked into negotiations with Mr Stevens on his future. He was on a three-year rolling contract with Britannia and is thought to be receiving compensation of close to £500,000.

The 30 per cent stake in Britannia has been built up by Pergamon Press, the company controlled by Mr Maxwell, and the funds managed by MIM. MIM was sold to Aetna last year by the merchant bank Samuel Montagu which overruled the objections of Mr Stevens and other executive directors.

Mr Newman originally welcomed the stake taken in December by MIM and by Mr Maxwell as it was *used to block a hostile £280m take*over bid for Britannia by Guinness Peat, the UK banking and investment group. In March, Mr Newman agreed to buy MIM from Aetna for £40m and merge the fund management operations. MIM's strong investment performance and growing pension fund clientele was seen as *complementing Britannia's wide* customer base of small investors and its marketing expertise which, however, has been overshadowed by a consistently poor investment record.

Mr Stevens then took charge of the investment management arm of Britannia and insisted on moving all the managers into MIM's headquarters just east of the City of London. Mr Newman then claimed that a campaign of attrition was being waged against him designed to undermine his authority.

Oklahoma bank rescued

Continued from Page 1

Square, US bank regulators tried to inject some discipline into the banking community by allowing bigger depositors to lose part of their money.

However, this caused considerable nervousness in the financial markets, and since then regulators have made clear that depositors are not going to lose any money, in an effort to prevent a flight of deposits away from troubled banks like First National Bank and Trust Company of Oklahoma City.

The Federal Deposit Insurance Corporation (FDIC), which is responsible for supervising failed institutions, yesterday repeated its assurance that all depositors of the bank will be protected, although it is only legally liable to protect the first $100,000 of a customer's deposits.

The closure will cost the FDIC a substantial amount of money. It is paying a "negative premium" of $72m to First Interstate to encourage it to come to its rescue, and will retain $418m of troubled loans.

The FDIC will receive an issue of limited participation preferred stock, with dividends based on future operating results of the bank. It hopes to recover some of its money through the liquidation of the $418m of troubled loans, and notes that its claim will have priority over the claims of shareholders of the closed banks.

Although the closure of the Oklahoma bank had little impact on the financial markets yesterday, it underlines the serious problems that US bank regulators face in trying to maintain confidence in several financial institutions in the US oil patch.

The expiry of the provision in the Garn-St Germain Act of 1982, which authorised the FDIC to solicit bids from out-of-state banks for failed banks with $$500m or more in assets, will make it considerably harder for bank regulators to rescue troubled institutions. Since the start of the year, First National had lost more than a fifth of its deposits, forcing it to borrow $260m from the Federal Reserve Bank of Kansas City.

Guinness to take vote

Continued from Page 1

of the new board. There has to be a proper balance of executive and non-executive directors."

Mr Saunders was said to be too busy to comment on the new board structure. But Mr Tom Ward, an American lawyer and non-executive director of Guinness appointed two years ago, said that there would be representatives from Distillers.

Mr Ward denied that Guinness had been subjected to pressure and said that Sir Thomas and a substantial number of financial institutions had been consulted over the board changes.

But Sir Thomas said in a statement that he did not know the reasons for Guinness's decision to withdraw its invitation to him to become non-executive chairman of the combined group. He said that press speculation that it was linked to demands made by him in relation to the banking business of Guinness was wholly without foundation.

UK scales down plan to link pay to profits

By George Graham in London

MR NIGEL Lawson, Britains Chancellor of the Exchequer, yesterday lowered his ambitions for encouraging employees to link part of their pay to their employers' profits in response to criticism from industrialists.

He has halved the tax relief he proposes to give to workers on average earnings who accept profit-related pay to a maximum of £12 ($18) a month. At the same time, he has cut from 20 per cent to 5 per cent the proportion of a worker's pay that needs to be linked to profits in order to qualify for the relief.

The proposals are contained in a Green Paper (discussion document) entitled "Profit Related Pay," published yesterday jointly by Mr Lawson, Lord Young, the Employment Secretary, and Mr Paul Channon, Trade and Industry Secretary.

They aim to increase the flexibility of wage structures in the UK in *order to improve employees' moti*vation by making them identify more closely with their companies, and to improve employment stability and economic growth.

An earlier set of draft proposals, presented in April to the National Economic Development Council, offered more tax relief, but imposed more severe conditions. At least 20 per cent of pay would have had to be linked to profits in a scheme running for at least three years.

Mr Lawson said yesterday that after discussions on these proposals it had become clear that very few employers would adopt profit-related pay schemes if the qualifying hurdle remained at 20 per cent.

The Government is not yet committed to giving tax relief for profit-related pay, but legislation could be included in next year's Finance Bill.

Mr Lawson said that if 2m workers earning close to the average wage took advantage of the scheme, *each linking 10 per cent of their pay* to their companies' profits, it might cost the Government around £150m in lost tax revenues.

He declined to say what sort of gains in employment he expected to result from the introduction of profit-related pay.

"Anything we can do to remove the rigidities in the labour market and improve the flexibility must be good for jobs," Mr Lawson said.

"I do not want to oversell this, because it will have long-term benefits, not short-term benefits," he said.

The discussion document was greeted yesterday with cautious approval by employers, and with greater wariness by trade unions. Sir Terence Beckett, director general of the Confederation of British Industry (the employers' organisation), said he was pleased to see the increased flexibility of the latest proposals

The Government is seeking responses to the paper by October 17.

Editorial comment, Page 18; Economic viewpoint, Page 21

Lawyer quits during Levine investigation

By Terry Dodsworth in New York

A PARTNER at Wachtell Lipton, one of Wall Street's leading corporate law firms, has resigned in the wake of the insider trading scandal involving Mr Dennis Levine, the former investment banker who has agreed to give up $11.6m in alleged illegal share trading profits.

Wachtell Lipton said yesterday that Mr Ilan Reich, who became a partner in the firm last year, was "under investigation" in connection with the Levine case. It added that the firm was co-operating closely with the Securities and Exchange Commission, the watchdog for the US securities industry, and that the conduct under investigation was understood to relate to a time when Mr Reich was an associate of the firm before becoming a partner at the beginning of January 1984.

The naming of Mr Reich is another heavy blow to Wall Street's reputation at a time when it is reeling from three separate insider trading cases in a period of about three months. It comes only two weeks after two leading merger and *acquisitions experts working* at Lazard Freres and E.F. Hutton agreed to pay back more than $3.5m of gains in a settlement of a civil suit in which they were claimed to have collaborated with Mr Levine.

Wachtell Lipton, along with Skadden Arps, is one of the two most prominent acquisition specialists, and has been intimately involved in the takeover boom over the last three years. It is highly respected and has developed several of the most effective takeover defence mechanisms used in the big acquisition battles over the last few years.

THE LEX COLUMN

The importance of being honest

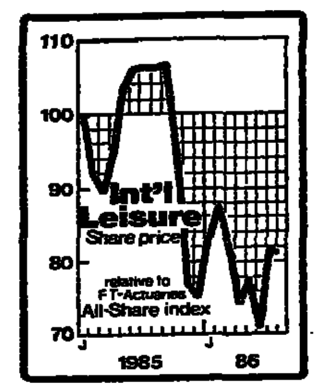
Having a passing knowledge of *acquisition accounting*, Mr Ernest Saunders should know all about goodwill. But it will be a long time before anyone loses such accumulated City of London goodwill in the space of a day as Mr Saunders has achieved by a shameless divergence from the terms of the "merger" with Distillers.

The proposal to create a holding company for Distillers/Guinness under the chairmanship of Sir Thomas Risk was clearly designed to swing the Scottish institutional vote behind the DCL recommendation of Guinness. There is no way of knowing whether the absence of such a commitment to Scottish piety would have let Argyll carry the day instead, and there is clearly no way that the London Stock Exchange, the Takeover Panel or any other authority can order a replay. Whether the handball that scored the winning goal was deliberate is something which Mr Saunders can hardly reveal.

What must be explained in detail, before the proposed extraordinary meeting, is the reason for Guinness's swerve away from the policy to which it committed itself in the most explicit documentary way. The reasons given hitherto are vague to the point of being an insult. *Certainly Sir Thomas Risk* appears mystified as to the nature of the disagreement he is supposed to have had with the Saunders management.

Guinness has already lost the services of Wood Mackenzie as a result of its high handedness. The Bank of England, gaily ambling into the path of the Takeover Panel, seemed to see no reason why all of Guinness' advisers should not resign. The decision of Morgan Grenfell and Cazenove to stay was secured only by Guinness's last minute agreement to subject itself to an extraordinary meeting, at which a revised plan for the appointment of non-executive directors will be heard. It seems that Scottish blood is no longer a requirement for these posts; the important thing, for the vastly expanded number of Guinness shareholders, is that the mercurial management should be provided with an authoritative check.

Given that the main reason for the Guinness triumph was a belief in applying Saunders-style manage-



ment to the Distillers assets, it would be surprising if even now Mr Saunders failed to carry the day. The institutions who have bought the Guinness proposition already may be a little rueful. But readers of any future Guinness listing particulars will have yesterday's events in mind.

Meggitt/Bestobell

An acquisitive conglomerate bids for a solid company which has gone through a bad patch. The victim wriggles free at the last moment, with the help of its institutional shareholders, after promising to do better in future. The story has been told more than once this year. But it happened to Bestobell in 1979 when BTR just failed with a takeover. Bestobell's history since, up to yesterday's bid from Meggitt, BTR's protege, should give other corporate escapees pause for thought.

If those institutions had accepted BTR's share offer they would have had by far the better investment, since Bestobell's revival proved short-lived. Profits are recovering once more, and perhaps Bestobell's defence will contain forecasts as surprising to the market as those of other target companies. It can also argue that it has installed new management. But after winning once and disappointing since, can investors afford to give Bestobell another chance?

Clearly Meggitt is not of quite the same class that BTR was even in 1979. Its new management still has a short record, even if it has been known to the City of London before, *the £89m bid is worth more than* Meggitt, and Bestobell's profits this year are likely to be around twice Meggitt's own forecast. The backing of BTR, which will end up with a 25 per cent stake in the new group in return for a 29 per cent stake in Bestobell and its Serck Baker subsidiary, says it all. BTR knows both managements well and its choice of Meggitt's to run the business was hardly made in a fit of pique. If Meggitt should, like Bestobell, fail to perform to BTR's standards, another bid could no doubt be engineered in 1993.

Intl. Leisure

The price war in the tour operating business has worked its magic: International Leisure Group, which reported its annual figures yesterday, expects to have carried twice as many passengers this summer as last and has partially rebuilt its margins. Given a business that is high volume, low margin and geared to the teeth, the effect can be dramatic. Last year, a margin of a couple of pounds a passenger left tour profits down a third and pretax profits, net of disposals, fell 35 per cent to £8.8m. This summer, the net effect of fewer discounts but lower brochure prices should still leave room for both sets of profit to double for the year.

The market is willing to attach *the magnificent multiple of eight to* this year's earnings, at yesterday's price of 126p, down 1p. This could be because the market holds International to be just a renamed Intasun, geared as ever in balance-sheet and operations to commodity markets and reliant on corporate false moustaches. The most recent of these is the new Air Europe, which at the cost of £40 in paint per aircraft will provide a useful Spanish domicile for bits of the Air Europe fleet. The disguises that attend the expansion into Germany scarcely bear thinking about.

The market needs no reminding of International's agility in shuffling in and out of aircraft ownership. It has yet to credit International for the attack on operating costs which may be the route to a successful commodity operation. If International's costs really are within pence of Thomson, and pounds better than the bunch, then *it is the bunch – rather than International's earnings* – that will take the chief strain of price pressure.

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	25	77	Dubrovnik	F	24	75	Malta	S	29	84	Rhodes	S	29	84
Algiers	S	28	82	Edinburgh	C	18	64	Manchester	C	23	73	Rio de J'o	S	29	84
Amsterdam	C	22	72	Faro	S	30	86	Manila	S	31	88	Rome	F	25	77
Athens	S	32	90	Florence	F	24	75	Melbourne	F	14	57	Salzburg	S	20	68
Bahrain	S	36	97	Frankfurt	F	23	73	Mexico City	S	23	73	San Francisco	S	21	70
Bangkok	C	33	91	Funchal	S	23	73	Miami	C	31	88	Seoul	S	29	84
Barcelona	S	24	75	Geneva	S	21	70	Milan	S	25	77	Singapore	F	29	84
Beirut	S	28	82	Gibraltar	S	25	77	Montreal	C	23	73	Stockholm	F	23	73
Belfast	R	18	64	Glasgow	C	17	63	Moscow	R	15	59	Strasbourg	S	23	73
Belgrade	F	28	65	Guernsey	C	17	63	Munich	S	20	68	Sydney	F	17	63
Berlin	F	22	72	Helsinki	F	21	70	Nairobi	C	22	72	Taipei	S	34	93
Biarritz	F	22	72	H Kong	F	30	86	Naples	S	29	84	Tangier	S	28	82
Bombay	D	27	81	Innsbruck	S	21	70	Nassau	S	31	88	Tel Aviv	S	29	84
Bordeaux	S	26	79	Inverness	F	19	65	New Delhi	C	33	91	Tenerife	S	25	77
Brussels	S	22	72	Islamabad	S	39	102	New York	S	30	86	Tokyo	R	27	81
Budapest	S	23	73	Istanbul	S	30	86	Nice	F	25	77	Toronto	S	28	82
B Aires	R	14	57	Jakarta	S	30	86	Nicosia	S	37	99	Tunis	F	29	84
Cairo	S	35	95	Jersey	C	19	66	Oporto	S	29	84	Valencia	S	27	81
Cape Town	C	15	59	Jo'burg	S	16	61	Oslo	C	19	66	Venice	S	24	75
Caracas	S	28	82	Lima	C	18	64	Paris	F	23	73	Vienna	S	22	72
Casablanca	S	26	79	Lisbon	S	30	86	Peking	S	30	86	Warsaw	F	20	68
Chicago	S	26	79	London	F	26	79	Prague	S	21	70	Washington	S	23	73
Cologne	C	22	72	Los Angeles	C	30	86	Reykjavik	C	10	50	Zurich	S	21	70
Copenhagen	S	20	68	Luxembourg	F	21	70								
Corfu	S	31	88	Madrid	S	27	81								
Dallas	S	24	75	Majorca	C	18	64								
Dublin	C	22	72	Malaga	S	27	81								

Readings at mid day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

UK-Soviet agreement

Continued from Page 1

settlement, although the date of registration of other types of claims will be set later.

The settlement involves an agreement between the two governments to waive all claims on each other and share out the money that is actually available. The British Government has agreed to forgo a share in the distribution, although it originally held £500m in Russian debt, which Foreign Office officials calculated would be worth £46bn after adjusting for inflation and accrued interest.

The Soviet claim against the UK originally amounted to £2bn in respect of losses caused during British involvement in Soviet Russia between 1918 and 1921.

Mr Eggar said he expected the Soviet Union to reach similar agreements soon with other countries, but he warned against the assumption that Britain's willingness to settle this dispute implied that an agreement with China on outstanding claims was also imminent. "Having seen the Russian claims I would not rush out and buy Chinese bonds," he said.

The settlement prompted speculation that the Soviet Union, which is an active international borrower in the Eurocredit market and needs fresh foreign finance to offset the decline in oil prices, might turn its attention to the Eurobond market as a means of diversifying its source of funds.

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Wednesday July 16 1986

Meggitt in £89m bid for Bestobell

By Charles Batchelor in London

MEGGITT Holdings, the UK specialist engineering group, yesterday launched an £89m ($134m) takeover bid for Bestobell, a supplier of electronic and mechanical components which has recently been recovering from losses on two large Australian contracts.

Bestobell, which has long been the subject of takeover speculation, rejected the offer.

Meggitt's bid has the backing of BTR, the diversified conglomerate headed by Sir Owen Green, which made its own unsuccessful takeover bid for Bestobell in 1979 and was left with a 24 per cent holding.

BTR will vote its Bestobell stake – now 29 per cent – in favour of the bid and will gain, as a result, a 25 per cent holding in Meggitt. This stake is covered by an agreement which restricts BTR's freedom to increase its influence or to sell the shares in a large single block.

The Meggitt bid follows closely on the failure of two recent takeover attempts in the UK engineering sector, the £220m bid from Siebe for APV Holdings and Evered Holding, £160m offer for McKechnie Brothers.

Mr Ken Coates, Meggitt chief executive, said: "This is not a financial or conglomerate operation. This is an attempt to strengthen the company in specific areas. This looked the quickest way for us to develop Meggitt as a significant engineering group."

Mr Coates and his finance director, Mr Nigel McCorkell, have revitalised Meggitt over the past three years, moving from losses into profit and increasing its market capitalisation from just £800,000 to £65m. It yesterday forecast pre-tax profits would rise to £3.9m in the year ending October 1986 from £2.12m last time.

BIGGEST US BANK MOVES TO BOLSTER LOAN LOSS RESERVES AND CAPITAL

Citicorp earnings slide 6%

BY WILLIAM HALL IN NEW YORK

CITICORP, the biggest US banking group, yesterday reported a 6 per cent drop in second quarter net income to $235m partly as a result of steps it is taking to strengthen its loan loss reserves and capital position.

Citicorp's individual banking business increased its earnings by 16 per cent to $109m and the group's institutional relationships operations, which cover the delivery of products from the institutional and investment bank, increased profits by $8m to $183m.

However, the group's investment banking business reported a $20m drop in earnings to $92m reflecting lower trading earnings (down nearly $60m) and continued strong expense growth reflecting "the cost of building global investment banking capabilities."

It is clear that the group's earnings are also being affected by a committment to strengthen its balance sheet. The group's allowance for credit losses was increased by $110m to $1.48bn in the second quarter compared with the end of the first quarter. The allowance now equals 1.22 per cent of loans compared with 0.96 per cent a year ago.

Citicorp's fully diluted earnings per share fell by 12 per cent to $1.60 in the latest quarter. It is the third consecutive decline in the New York group's quarterly earnings and its performance contrast with the strong earnings gains being reported by many of its rivals.

Security Pacific, the big West Coast banking group, yesterday reported a 18.1 per cent rise in its second quarter net income to $93.5m and Wells Fargo, which recently acquired Crocker National from Britain's Midland Bank, reported a 39 per cent rise in its latest earnings to $68.1m.

Although the bulk of major US banks have been reporting strong profit growth in the latest period, helped by lower funding costs and increased lending volume, the results continue to be patchy.

Texas Commerce Bancshares, one of the leading Texas banks, yesterday reported a 66 per cent drop in its second quarter net income to $10.5m, reflecting the continuing problems in the south-western economy caused by the slump in the oil and gas industry and the recession in the real estate business.

Manufacturers Hanover the fourth biggest US banking group, reported a 4.7 per cent drop in second quarter net income to $93.9m but managed to push its earnings per share 2 cents higher to $1.99 because of lower preferred dividend payments.

Mr John McGillicuddy, Manufacturers Hanover's chairman, said that the group made significant additional provisions during the quarter to strengthen the reserve for possible loan losses. "Coupled with earlier capital additions, this has more than doubled our primary capital and nearly tripled our loan loss reserve since the start of 1982."

At the end of the second quarter, the bank had a primary capital ratio of 6.87 per cent compared with 6.06 per cent and its reserve for loan losses has been raised from 1.41 per cent of loans a year ago to 1.70 per cent of loans at the end of June 1986.

For the first six months of 1986 Citicorp's net income is 4 per cent lower at $505m, and fully diluted earnings per share are 9 per cent down at $3.47 per share. Citicorp's shares fell by $1¾ to $56⅝ in early trading yesterday.

Security Pacific's earnings in the first six months rose 18.8 per cent to $181.4m and earnings per share rose 10.6 per cent to $2.30. The group's shares slipped by $¼ to $34⅞ in early trading yesterday.

Manufacturers Hanover, whose shares slipped by $¾ to $46 early yesterday, reported a $1.7m drop in first half net income to $198m but net income per share rose by 15 cents, to $4.13 during the six month period.

Wells Fargo's six month earnings totalled $117.7m or $4.59 per share compared with $92.4m or $4 per share in the same period last year.

Oil price fall lifts Gotaas Larsen

By Our Financial Staff

GOTAAS-LARSEN Shipping of the US has benefited from both the sharp drop in crude oil prices, which has boosted demand for oil tankers, and substantially lower net interest costs.

Net profits for this oil and gas tanker operator and charter concern soared in the second quarter from $3m, or 27 cents a share, to $8.8m, or 64 cents. This took the half-year total to $15.6m, or $1.25, compared with $7.8m, or 68 cents a year ago.

Revenue for the three months was little changed at $44.05m, taking the six months figure to $84.41m, against $82.72m last time.

At the operating level there was a 9 per cent rise to $14.67m before net interest costs of $5.84m, compared with $9.77m.

The growth in operating profit arose mainly from improved results from tankers. A surge in demand for oil tankers in the Middle East has pushed up charter rates available to the company's three very large crude carriers and to a lesser extent to its three chemical carriers.

The cruise business benefited from the reluctance of Americans to travel abroad in recent months.

Lower debt levels and interest rates cut the interest charge. The company has now fixed a large portion of its floating-rate debt for several years to come and is considering other debt restructuring.

On outlook the company says that while better tanker rates may not be sustained the results from this activity should be significantly better in 1986 than last year.

Gotaas-Larsen's fleet consists of 21 vessels including five liquid natural gas carriers, four crude carriers and six passenger cruise liners.

Its shares are listed on the London Stock Exchange and traded over the counter in the US on Nasdaq.

GTE income rises by 8% in second quarter to $309m

BY OUR NEW YORK STAFF

GTE, the US telecommunications and electrical equipment group, has announced a rise of 8 per cent in second quarter net income to $309m from $285m during the same period a year earlier. Earnings per share during the period were up 4 per cent to $1.38 from $1.33 on a slightly reduced number of shares outstanding.

Revenues were also up 8 per cent from the year-earlier period, increasing to $4.2bn from $3.9bn.

Mr Theodore Brophy, the GTE chairman, expressed satisfaction at the second quarter results, achieved in a period of sluggish economic performance. All parts of the group were said to have performed well with the exception of electical products, which suffered from lower results in the precision materials business.

During the period GTE's telephone revenues increased by 6 per cent from the previous year to $2.6bn. Long-distance and customer calling lines in service grew at a slower pace than a year earlier, while long-distance calls were up by 7.8 per cent – a slower rate of growth than the 8.9 per cent registered a year earlier.

The company, previously known as General Telephone and Electronics, has now formally merged its Sprint and Telenet systems with United Telecommunications' similar businesses. US sprint, as the venture will now be called, will be the country's third biggest long-distance telephone and data communications company. The two companies had each experienced difficulty in making their operations profitable on their own, and have pinned their hopes on a pooling of resources.

For the time being, US Sprint is still engaged in constructing the first all-digital, fibre optic network and this is expected to continue to weight on performance during the short term.

GTE has also announced a proposed joint venture with Fujitsu, the leading Japanese computer manufacturer, involving the two companies' private automatic branch (PABX) businesses.

Time and McGraw-Hill profits edge ahead in second quarter

BY ADRIAN DICKS IN NEW YORK

TIME and McGraw Hill, two of the biggest US publishing and information groups, yesterday reported modest second quarter gains.

McGraw Hill, the publisher of business magazines, books and financial information which has in recent years been building up its interests in electronic information, showed a 7.5 per cent increase in second quarter earnings to $37.2m (73 cents a share) from $34.6m (68 cents a share). Sales during the period increased 5.3 per cent to $378m from $359m.

For the first six months, McGraw saw earnings increase to $64.9m from $62.2m in the same period a year earlier, equal to an increase from $1.25 to $1.28 per share. Sales edged up by 4 per cent to $711m from $682m.

Mr Joseph Dionne, McGraw's president, said there had been gains in all divisions' sales during the period, with financial and business information and broadcasting producing "particularly noteworthy" increases. Operating profits rose at all subsidiary companies, with the exception of publications, which suffered from growing softness of the magazine advertising market.

Mr Dionne said the results were encouraging, and added that the outlook for the second half of the year was showing signs of improvement despite the advertising outlook.

At Time, the big publishing and cable television group, second quarter net earnings advanced only marginally to $62m (98 cents a share) from $60m (94 cents a share) a year earlier. Sales rose 8.57 per cent to $945m from $864m. Six month net earnings grew to $112m ($1.76 a share) from $104m ($1.64 a share), on sales of $1.8bn against $1.61bn.

Time announced last month a massive share repurchasing scheme which could involve its buying back as much as 16 per cent of its outstanding stock. It hinted at the time that the shares could be used in future acquisitions, which the group has hinted may form a key part of its continuing restructuring programme.

The repurchase scheme was also seen by some analysts as a defensive move against potential predators.

Underlying growth for Boise Cascade

By Our Financial Staff

UNDERLYING net earnings at Boise Cascade, a leading US forest-products company, showed growth in the second quarter. Reported net earnings were $31.3m, against $31.7m, for an unchanged $1.07 a share. However, the previous year's earnings included a 32-cents-a-share gain on the sale of a market pulp mill in Canada.

Revenue for the quarter was down at $945m, compared with $953m, for an unchanged six-month total of $1.9bn.

Half-year profits were $56.3m or $1.09, against $65m, or $2.19 a year ago when there was a 45-cents-a-share special gain.

Italcable to acquire 20% of Voice Mail

BY ALAN FRIEDMAN IN MILAN

ITALCABLE, the state-controlled company which handles Italy's intercontinental telecommunications traffic, announced yesterday the acquisition of a 20 per cent shareholding in Voice Mail International, a California-based company which manufactures and markets recorded voice communication services and systems.

Italcable, which is controlled by the IRI-STET state holding group, said it was paying $4m as "an initial investment" in Voice Mail International (VMI). The investment is designed to strengthen Italcable's presence in the US and to gain access to developing technologies in the value added market.

Mr Ernesto Pascale, Italcable chairman, said yesterday that the agreement with VMI (of Cupertino, California) follows several agreements signed by Italcable in the last few months with other US companies operating in the telecommunications sector.

Honeywell hit by computer market slump

By Our Financial Staff

HONEYWELL, one of the leading US computer groups, was hit by the continuing weakness in its domestic computer markets in the second quarter. Net earnings fell 31 per cent to $36.1m or 80 cents a share from $52.5m or $1.14, as reported in later editions yesterday.

This left the six-month total down at $62.3m or $1.37 from $98.7m or $2.14 a year ago. Sales for the half year were ahead at $3.23bn compared with $3.03bn, with a rise to $1.73bn from $1.55bn in the latest quarter.

Honeywell said its information systems division operating profits for the quarter were down sharply from last year and operating profits for control products also declined.

Control systems' profit was flat, while aerospace and defence profits improved compared with last year.

International orders were up substantially compared to last year, however.

Surprise $29.6m loss for Kaiser Aluminum

BY OUR FINANCIAL STAFF

KAISER Aluminum & Chemical, the third biggest US aluminium producer, has reported a surprise $29.6m or 69 cents a share loss in the 1986 second quarter, a sharp reverse from profits of 14 cents a share in the first three months of the year.

The latest loss compares with a deficit of $32.1m or 76 cents a share a year ago, and leaves a six-month loss of $22.4m, down from a deficit of $57.6m in the first half of 1985.

The latest second-quarter loss is struck after $6.4m of tax credits, compared with $24.8m a year earlier. Last years results have been restated to reflect discontinued operations and accounting changes.

Sales rose from $517.7m to $554.2m in the quarter, and from $969.7m to $1.08bn in the first half.

● Dekalb, the Illinois-based seed company which has been expanding its energy-related activities, has reported a $51.2m third-quarter loss following a $49.1m writedown on its energy activities.

The loss compares to net profits a year ago of $5.5m or 45 cents a share. Revenues fell from $156.1m to $102,4m.

DeKalb is a leading corn and sorghum seed producer, and has other farming activities. However, energy-related businesses contributed more than 75 per cent of operating profits in the last financial year, when total net profits were $20.1m.

The company said yesterday that an after-tax writedown of $29.6m related to its US oil and gas exploration

USX planning debt issues of up to $1.5bn

USX, formerly known as US Steel, has filed with the Securities and Exchange Commission for an offering of up to $1.5bn of debt securities and warrants to purchase debt securities, Reuter reports from Pittsburgh.

USX said it also filed a prospectus supplement relating to $250m of debt units. It will issue 31,250 oil-indexed units, comprising $156.25m of debentures, due July 15, 1995, and $93.75m of detachable 3 per cent coupon oil-indexed notes due July 15, 1991. Each unit will consist of debentures totalling $5,000 in face amount and oil-indexed notes totalling $3,000 in face amount.

The debentures and the oil notes will each pay interest semi-annually and par at maturity. The oil notes will be redeemable semi-monthly at par plus any accrued interest at the option of the holder beginning one year before maturity.

A premium on the oil notes will be paid at maturity or early redemption of the oil notes based on the excess, if any, of the spot price of West Texas intermediate crude oil above $25 per barrel up to a maximum price of $50 per barrel, times a number of barrels which will be determined.

First Boston and Lazard Freres will co-manage the issue.

USX previously announced that it started a financial restructuring to take advantage of current interest rates.

It plans to refinance about $2.9bn of the 12¾ per cent guaranteed notes due March 1 1994, issued in connection with the acquisition of Marathon Oil in 1982. The notes are initially callable on March 1 1987 at par.

Rohm & Haas confident for full year

By Our Financial Staff

ROHM & HAAS, the Philadelphia-based plastics and chemicals group, yesterday reported lower second-quarter earnings but expects higher profits for 1986 as a whole despite "a lack of strong economic expansion in the US."

Profits for the latest three-month period fell from $41.4m or 59 cents a share to $33.1m or 48 cents, which includes charges of about $22.1m.

This covers settlement of court cases concerning the exposure of employees to bis-chloromethyl ether, writedown of excess seed stocks and the sale of a South African subsidiary.

Stripping out the charges, earnings improved, due mainly to stronger European currencies and the Japanese yen.

Sales volume grew slowly in the special chemicals sector, reflecting low levels of economic expansion in the US and some other industrialised countries.

Earnings from this division in North America were up slightly from last year, but the performance on the agricultural chemicals side, excluding seeds, was about the same.

At the six months stage, profits were down from $81.7m or $1.14 a share to $71.4m or $1.04, while sales were almost unchanged at $1.11bn.

Owens-Corning surplus rises

OWENS-CORNING Fiberglass, a leading US producer of glass fibre products, lifted net profits in the second quarter to $34.9m, or $1.16 a share, from $20.2m, or 68 cents. This took the six-month total to $57.8m, or $1.93, up from $48.2m, or $1.63.

Revenue for the three months climbed to $925.3m, from $789.9m, for a half-year total of $1.79bn, against $1.47bn a year earlier.

The 1986 figures include the Aerospace and Strategic Material group acquired in September 1985. Last year's half-time result included $19m from a settlement on a contract cancellation.

INTL. COMPANIES & FINANCE

United Technologies hit by second quarter provision

BY OUR NEW YORK STAFF

UNITED Technologies (UT), the US manufacturer of Pratt & Whitney aircraft engines and Sikorsky helicopters, showed a sharp drop in earnings on continuing operations for the second quarter of this year after taking a $155m pre-tax provision for estimated contract losses on its Norden Systems radar subsidiary.

Profits amounted to $64.9m or 44 cents a share against $151.7m or $1.13 a share in the same period of last year. In 1985, however, the final net figure was below this year's, after a $96.9m loss on discontinued operations reduced profits to $54.8m or 34 cents a share.

Sales in this year's quarter rose to $3.96bn from $3.77bn in 1985, and in the first six months increased to $7.42bn from $7.38bn. In the half-year period, net income from continuing operations amounted to $192.4m or $1.37 a share compared with $329m or $2.43 a share in 1985.

Mr Robert Daniell, president of UT, said he was "pleased" that second-quarter results before the Norden loss provision exceeded those of last year on continuing operations.

MCorp launches novel $425m credit deal

BY OUR NEW YORK STAFF

MCORP, the second biggest banking group in Texas, has arranged a novel $425m three-year syndicated credit facility under which its MBank USA credit-card operation can raise funds by selling its credit-card loans to a group of 21 US and foreign banks.

Some Texas banks have faced difficulties in funding themselves in the international money markets after the recent collapse in oil prices and resultant soaring loan losses. However, MCorp emphasised yesterday that the arrangement did not reflect trouble in raising funds through more traditional channels.

Mr Doug Ebert, executive vice-president of the investment banking operations of Manufacturers Hanover Trust, which assembled the deal, says it is the first time a credit facility involving the sale of consumer credit-card loans is being syndicated to a large number of participants.

Under the arrangement, MBank USA can sell credit card loans to a group of banks led by Manufacturers Hanover Trust at any time. MBank USA is the Delaware-based credit card subsidiary of MCorp.

Each transaction of purchased loans will have a finite maturity.

US cable TV group in $390m expansion

By Terry Dodsworth in New York

TELE-COMMUNICATIONS, the US's largest cable-television operator, is spending $390m on a controlling interest in United Artists Communications, a long-established cinema group that also owns cable TV interests in the New York area.

The deal follows Tele-Communications' recent expansion as a leading member of the consortium that bought Group W Cable, the cable television subsidiary of the Westinghouse Electrical Group. The Denver-based concern said yesterday that it intended to sell the cinema business to Tri-Star pictures on completion of the agreement for an unspecified sum.

The transaction will give Tele-Communications ownership of 51 per cent of United Artists Communications' equity currently held by the Naify family. Other shareholders are to be offered similar terms – a mixture of $140m cash and notes convertible into Tele-Communications' class A common shares.

Tele-Communications said significant restrictions would be placed on the sale of stock held by former United Artists Communications shareholders in the first five years after the acquisition to avoid flooding the market. Even after conversion of the notes, it added, the control of Tele-Communications would remain in the hands of its current leading shareholders, who exercise their controlling interest through B shares carrying 10 votes each.

Elf expected to break off merger talks with Saga

BY FAY GJESTER IN OSLO

ELF AQUITAINE Norge, Norwegian offshoot of the French petroleum and industrial group, and Saga Petroleum, the debt-burdened Norwegian independent oil company, look to have broken off talks about a merger.

Neither company would yesterday comment on reports to this effect, merely promising that a joint statement would be issued today.

Elf was said to be withdrawing because Saga – which has borrowed heavily to finance its extensive offshore exploration and development programme [illegible] – was demanding too large a voice in the proposed new company, insisting that the latter should have "a clearly Norwegian profile."

Mr Arne Oien, the Norwegian Oil Minister, who is understood to have been lukewarm about the merger scheme, said he was "not surprised" by the news.

Elf, with substantial stakes in Norway's first two producing fields – Ekofisk and Frigg – has the financial resources to provide Saga with what would have been a welcome injection of fresh equity.

Saga, backed by most of Norway's leading industrial, shipping and financial groups, has been given specially favourable treatment in successive Norwegian licensing rounds, because of its national character. Its stakes in many of the most promising finds on Norway's shelf make it an attractive target for merger or takeover by a wealthy concern – like Elf – which can afford to look beyond the present period of low oil and gas prices.

Norsk Hydro, the Norwegian [illegible] industrial group owned 51 per cent by the Norwegian state, last week made what amounted to a counter bid – suggesting that Saga should issue NKr 500m ($65m) worth of new shares, of which Hydro would guarantee NKr 400m, at the same time acquiring the 20 per cent stake in Saga held by Kvaerner, the Norwegian heavy engineering group. Saga said it might consider this if the talks with Elf failed.

Any deal between Hydro and Saga would – like the proposed merger with Elf – have to be approved by the Government.

JAL shows net deficit

BY OUR FINANCIAL STAFF

JAPAN AIR LINES (JAL), the national flag carrier, has drawn on contributions from its consolidated subsidiaries in order to keep its group pre-tax result in the black for the year to March.

At the net level, however, it was unable—following the crash of one of its Boeing 747s in central Japan 11 months ago —to avert a slide into losses which reached Y4.09bn ($25.52m), compared with profits the previous year of Y10.76bn.

Pre-tax earnings at Y2.75bn were less than a tenth of the Y30.36bn achieved in the previous year. Nonetheless, this was a better performance than could be attained by the parent company alone, which at the end of May reported a loss before tax of Y1.63bn against 1984-85 profits of Y22.5bn.

Revenues were barely ahead at Y924.81bn compared with Y922.73bn.

N. AMERICAN QUARTERLIES

A.O. SMITH
Automobile and truck frames

Second quarter	1986 $	1985 $
Revenue	250.4m	248.5m
Net profits	9.9m	15m
Net per share	1.07	2.03
Six months		
Revenue	478.1m	477.2m
Net profits	18.6m	25.2m
Net per share	2.09	3.40

NBD BANCORP
Bank holding company

Second quarter	1986 $	1985 $
Revenue	–	–
Net profits	37m	30m
Net per share	1.53	1.19
Six months		
Revenue	–	–
Net profits	72.9m	58.1m
Net per share	3	2.29

GAF CORP
Building materials

Second quarter	1986 $	1985 $
Revenue	196.3m	188.1m
Net profits	22.2m	15.4m
Net per share	0.61	0.43
Six months		
Revenue	374.3m	384m
Net profits	37.2m	26.5m
Net per share	1.02	0.74

NCNB
Multibank holding company

Second quarter	1986 $	1985 $
Revenue	–	–
Net profits	49.7m	41.9m
Net per share	1.27	1.16
Six months		
Revenue	–	–
Net profits	102.8m	78.9m
Net per share	2.63	2.22

INSTINET
Business information systems

Second quarter	1986 $	1985 $
Revenue	4m	2.6m
Net profits	†434,000	†572,000
Net per share	†0.04	†0.05
Six months		
Revenue	7.5m	5.8m
Net profits	†1.1m	†227,000
Net per share	†0.10	†0.02

†Loss

PACIFIC LIGHTING CORP
Largest gas/electric utility in the US

Second quarter	1986 $	1985 $
Revenue	895.8m	1.1bn
Net profits	44.1m	47.1m
Net per share	1	1.16
Six months		
Revenue	2.1bn	2.48bn
Net profits	†26.4m	97m
Net per share	†0.71	2.40

†Loss

KROGER
Supermarkets

Second quarter	1986 $	1985 $
Revenue	4.28bn	3.99bn
Net profits	51.5m	46.7m
Net per share	1.18	1.07
Six months		
Revenue	8.45bn	7.81bn
Net profits	83.8m	78.1m
Net per share	1.92	1.77

PNC FINANCIAL
Banking, financial services

Second quarter	1986 $	1985 $
Revenue	–	–
Net profits	68.5m	49m
Net per share	1.38	0.95
Six months		
Revenue	–	–
Net profits	121.6m	89m
Net per share	2.46	1.95

Puma seeking to raise $39.8m by public issue

BY DAVID BROWN IN FRANKFURT

PUMA, West Germany's second largest producer of sports shoes and a growing competitor in the international sports and leisure clothing markets, is seeking to raise DM 86.8m ($39.8m) through its forthcoming flotation on the Frankfurt stock market.

The company plans to offer 280,000 non-voting preference shares today and tomorrow at DM 310 per share, in an issue which is being led by Deutsche Bank.

The group, which had a 1985 world turnover of about DM 1.5bn, increased its pre-tax profit last year from DM 13.2m to DM 19m.

Although it expects 1986 to be a "year of consolidation" and stagnant turnover — not least in light of its takeover of its troubled Los Angeles-based US distributor, coupled with the weak US dollar exchange rate—it hopes, partly on the basis of a strong domestic market, to pay a dividend of "at least DM 9 per preference share."

The ordinary shares—and thus control of Puma—will remain in the hands of the Dassler family.

Puma was founded after the Second World War by Mr Rudolf Dassler and is now headed by his son, Mr Armin Dassler, with a 70 per cent voting stake.

After a belated start, the group has, in recent years, successfully branched out into the sports clothes business. This now generates about 30 per cent of total earnings.

However, with an annual turnover growth of about 25 per cent—which has been sustained this year on the domestic market—Puma has reached the limits of its self-financing ability.

Its main competitor, Adidas, the world's biggest sports shoe manufacturer with a turnover of more than DM 4bn, is based in the same Bavarian town near Nürnberg.

The two companies grew out of a failed partnership between two Dassler brothers, which broke down in 1948.

Honda in 31% first quarter decline

By Carla Rapoport in Tokyo

HONDA MOTOR, the world's largest motorcycle producer, yesterday announced a 31.2 per cent drop in pre-tax profits for the first quarter, largely because of the effects of the yen's sharp appreciation against the US dollar.

For the three months to last May, Honda reported sales down 3.6 per cent to Y764bn ($4.4bn) from Y793.7bn last year. Pre-tax profits declined to Y65bn from Y94.5bn in the previous year's first quarter.

Domestic sales rose 16.7 per cent to Y247bn, but exports dropped by 12 per cent. As a result, the domestic sales ratio climbed 6 points to 35 per cent in the first quarter.

Motorcycle sales dropped 6.6 per cent by units and 12.4 per cent by value. Honda cited sluggish sales to China as a major factor in the slowdown. Sales of motor vehicles went up by 12.8 per cent in the first quarter. Domestic car sales jumped by 21.4 per cent, while overseas sales went up by 8.1 per cent.

By value, however, automobile sales were up by just 3.6 per cent, showing that Honda did not pass on the effects of the higher yen to its customers.

Despite these declines, however, Honda increased research and development spending from Y30bn to Y38bn in the period, which as a proportion of sales, is an increase of 4.1 per cent to 5.4 per cent.

Net income was down 36.8 per cent to Y28.6bn in the quarter.

Go-ahead for acquisition by Elders IXL

NEW ZEALAND'S Commerce Commission has granted Elders IXL, Mr John Elliott's Australia company, permission to acquire all or part of Dalgety Crown, the farm services agency, Reuter reports from Wellington.

The commission is investigating the proposed acquisition of Dalgety Crown by Wrightson NMA after the country's Examiner of Commercial Practices recommended Wrightson should be allowed to buy all the company, except several North Island branches.

Dalgety Crown is wholly owned by Crown Corporation and Wrightson is wholly owned by Fletcher Challenge.

'Johnnies' and Anglovaal show higher earnings

BY KENNETH MARSTON, MINING EDITOR

INCREASED profits have been earned in the June quarter by the South African gold mines in the Johannesburg Consolidated Investment ("Johnnies") and Anglovaal groups.

Celebrating its centenary, Randfontein has done well thanks to a higher grade or ore milled with a virtual elimination of the tax charge because of higher capital spending. It is pointed out that the grade still remains below expectations.

The marginal Western Areas, which is underpinning gold prices by forward sales contracts, has modestly increased working profits. Sharply higher capital expenditure, however, has reduced tax in the latest quarter to enhance earnings at net level.

Higher capital expenditure has reduced tax liability at Hartebeestfontein, boosting net profits. Village Main Reef and Eastern Transvaal Consolidated have benefited from tax reductions while Loraine has increased production and held costs in check.

NET PROFITS

	June qtr. R000	Mar qtr. R000	Dec qtr. R000
Consolidated Murchison	3,987	1,457	4,130
Eastern Transvaal	11,557	8,728	8,059
Hartebeest.	72,461	51,403	45,843
Loraine	14,232	7,027	12,115
Prieska	8,275	1,703	10,989
Randfontein	76,270	51,361	84,913
Western Areas	35,729	20,583	24,068

BIB up 44% in first half

BAHRAIN International Bank (BIB) has achieved a 44 per cent jump in first-half net income to $11.2m from $7.8m, AP-DJ reports from Bahrain.

The bank said it expects that profits for the full year would exceed those in 1985, when the bank earned $14.1m. Income for 1984 was $11m. The bank also said it expects a second consecutive dividend increase this year after paying 6 per cent in 1985.

Total assets at the end of June were $282m, down 11 per cent from $316m at the end of December. Of the current total, $148m was in the form of marketable securities, up from $105m at the year-end. Loans were $28m down from $33m.

The bank said it was continuing to develop its marketable investment products while it is reducing it emphasis on lending.

"The bulk of the increase in earnings resulted from exceptional performance of the US bond markets, but we feel that with interest rate levels stabilising, income will return to more normal levels," said Mr Donald Selinger, general manager.

INTL. COMPANIES and FINANCE

Hoechst unit in DM 81m rights issue

By Our Financial Staff

A RIGHTS issue to raise around DM 81m ($46m) is planned by Orenstein and Koppel, the earth moving equipment group which is part of the Hoesch steel company of West Germany.

The financing stems from the takeover of the Faun earth-moving equipment group, a German rival of Orenstein, which took a controlling 51 per cent interest in Faun late last year. Faun sales for 1985 totalled DM 665m.

The rights issue is to be a one for-three at DM 135 a share, which compares with the DM 177 at which Orenstein shares have recently changed hands.

Orenstein, which ran up sales of DM 1.3bn and net profits of DM 10.2m for 1985, specialises in large bucket wheel excavators. Its lesser lines included wheeled loaders, scrapers and fork-lift trucks.

Faun concentrates on scrapers but also produces a variety of earhmoving machines and commercial vehicles. Both groups export more than 50 per cent of total outputs.

Subscription to the rights issue—some 25 per cent of Orenstein shares are held outside the Hoesch group—will be open from July 23. Orensein's plans for a rights issue were first announced at the start of the year.

Convertible Eurobond for TV soap opera group

BY ALEXANDER NICOLL

JR EWING doffed his stetson to the Eurobond market for the first time yesterday. Lorimar Telepictures, maker of the television series Dallas, Falcon Crest and Knot's Landing, raised $100m with a convertible bond.

The issue is not designed to pay the salaries of Dallas stars whose characters return from the dead, but to finance Lorimar's acquisition of a Los Angeles film production facility from MGM. Lorimar also plans to buy seven television stations in a $1.85bn deal yet to be financed.

Drexel Burnham Lambert, which has managed previous convertible issues for the company in the US, led yesterday's deal which has a 15-year maturity with an investors' option to sell the bonds back after seven years. The coupon is 5¾ per cent, and the indicated conversion premium is 28 to 32 per cent.

The issuer, which is not rated, relied heavily on the fame of its products in selling the new offering, but appeared to meet a welcoming reception.

The issue injected glamour into an otherwise dull day which saw dollar Eurobond prices little changed.

North East Savings, a US savings and loan institution, issued $150m of 10-year floating-rate notes with a margin of 10 basis points over London interbank offered rates. Credit Suisse First Boston led the deal.

A so-called "Bear" straight was launched by Salomon Brothers International for Danish Export Finance. The $100m deal, which will not be listed and is in large $250.000 denominations, is for three years and has a high 10 per cent coupon, with a price of 101¼. However, its redemption amount will fall if the price of the US Treasury 7¼ per cent issue due 2016 goes up and rise if it goes down.

Mitsubishi Plastics Industries raised $30m with a five-year bonds-with-warrants issue guaranteed by Mitsubishi Bank. Led by Nikko Securities (Europe), the issue has an indicated coupon of 2¾ per cent.

In the Netherlands, Algemene Bank Nederland brought a DFl 300m 10-year Bullet issue for the World Bank on the domestic market. It has a coupon of 6¼ per cent and 99½ per cent pricing.

In West Germany, prices were unchanged in dull business, and no new issues were seen. Yesterday's equity-linked issue for Hoesch was bid at around par, below levels seen immediately after its launch, as the equity market weakened. The new Federal bond was offered at around 1½ below the issue price.

In Switzerland, the Asfinag SFr 130m issue ended its first day's trading at 98¾ per cent against a par issue price, and Japan Development Bank fell ¼ to 98½.

Bond refinances A$1.3bn debt in seven-year facility

BY MARK WESTFIELD IN SYDNEY

WESTPAC Banking has culminated eight months of exhaustive negotiations by completing arrangements for the A$1.3bn refinancing of Bond Corporation's various debts through a seven-year facility spread among a syndicate of seven local and international banks.

The move marks a turning point in the financial market's views of the Bond group, which had been regarded by the large domestic trading banks as too risky for such large-scale financing.

The banks, each providing A$200m, are Westpac, National Australian Bank, Standard Chartered Bank, Hongkong and Shanghai Banking Corporation, First Bank of Boston, and Industrial Bank of Japan.

State Bank of NSW, which together with Wardley's, the merchant banks arranged the original A$1.1bn financing of Bond's takeover of brewing group Castlemaine Tooheys, is providing A$100m.

Syndicate banks are expected to "sell down" their exposures soon in a wider syndication. Security for the A$1.3bn facility will be Bond's Castlemaine and Swan brewing operations.

Drexel Burnham Lambert, the US investment bank which arranged a $135m subordinated debt financing for the 1981 Swan brewery takeover, is believed to be slightly increasing credit lines to Bond

Shanghai banks form interbank paper market

A TOTAL of 25 banks in the Shanghai economic region are to set up an interbank market for the short-term discount of commercial paper and the long-term issue and transfer of stocks and shares, according to the People's Daily.

Funds circulating among the banks have exceeded 1.5bn yuan ($405m) since the establishment two years ago of the region, which groups Shanghai and four neighbouring provinces, Reuter reports from Peking.

A foreign banker in Peking said the proposed interbank market for stocks and commercial paper in the Shanghai region is the first of its kind in China.

Europaper programme for Coleman

By Peter Montagnon, Euromarkets Correspondent

COLEMAN, the US manufacturer of outdoor lamps and camping equipment, is to tap the Eurocommercial paper market. It has appointed CIBC Ltd, the merchant banking arm of Canadian Imperial Bank of Commerce, to act as dealer in a $75m programme.

The programme will act as an alternative borrowing vehicle to the US market where Coleman is rated A2-P2 by the leading rating agencies Moody's and Standard & Poor's.

This makes the borrower one of the lesser-rated companies to tap the Euromarket and bankers believe its paper will sell at a margin above London inte bank offered rates (Libor), making it an issuer which appeals primarily to banks.

CIBC said yesterday it should nonetheless occasionally prove cheaper for Coleman to issue in Europe than in the US. It will use the same back-up lines in both markets as the Euromarket is not expected to be a net additional source of finance.

Fannie Mae president resigns

MR MARK RIEDY, president and chief officer of the Federal National Mortgage Association (Fannie Mae) has resigned in order to explore other career opportunities, AP-DJ reports from Washington.

In accepting the resignation, Mr David Maxwell, chairman and chief executive officer, said, "we are grateful for the significant contributions made by Mark Riedy to Fannie Mae's improvement in operating results. All of us wish him good luck and great success in his future endeavours."

Mr Maxwell said: "From time to time he has told me of inquiries he has received about his availability for other business opportunities. I respect his reluctance to pursue these opportunities while still employed at Fannie Mae and his decision to resign at this time in order to do so. The company will choose a successor to Mr Riedy as soon as possible."

Before joining Fannie Mae in January 1985, Mr Riedy served as executive vice president of the Mortgage Bankers Association of America.

Downturn in earnings for Toray

By Our Financial Staff

TORAY INDUSTRIES, Japan's leading synthetic fibre maker, suffered a 24 per cent slide in group net profits to Y10.09bn ($62.96m) in the year to March and expects a flat result for the current 12 months.

The 1986-87 consolidated outcome is forecast at Y10bn. Sales, which dipped 0.5 per cent to Y786.96bn, are projected to show a far steeper decline to some Y740bn in the year to next March.

At the pre-tax level, profits were 6.25 per cent ahead at Y28.57bn. Toray last July put in motion joint ventures with Elf Aquitaine and Pechiney of France for making carbon fibre.

Net earnings per share emerged at Y8.38, down from Y11.44.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.

Closing prices on July 15

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco Co. 9¾ 16	200	[illegible]	[illegible]	[illegible]	[illegible]	9.48
Atlan. Richfield 10⅛ 00	250	[illegible]	[illegible]	+1	0	9.21
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex. Ex. Ov. Cr. 0 91 A$	100	[illegible]	[illegible]	[illegible]	[illegible]	13.92
Bruner Ldub. 12⅞ 91 A$	30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES

[illegible]

DEUTSCHE MARK STRAIGHTS

[illegible]

SWISS FRANC STRAIGHTS

[illegible]

YEN STRAIGHTS

[illegible]

CONVERTIBLE BONDS

[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

[illegible]

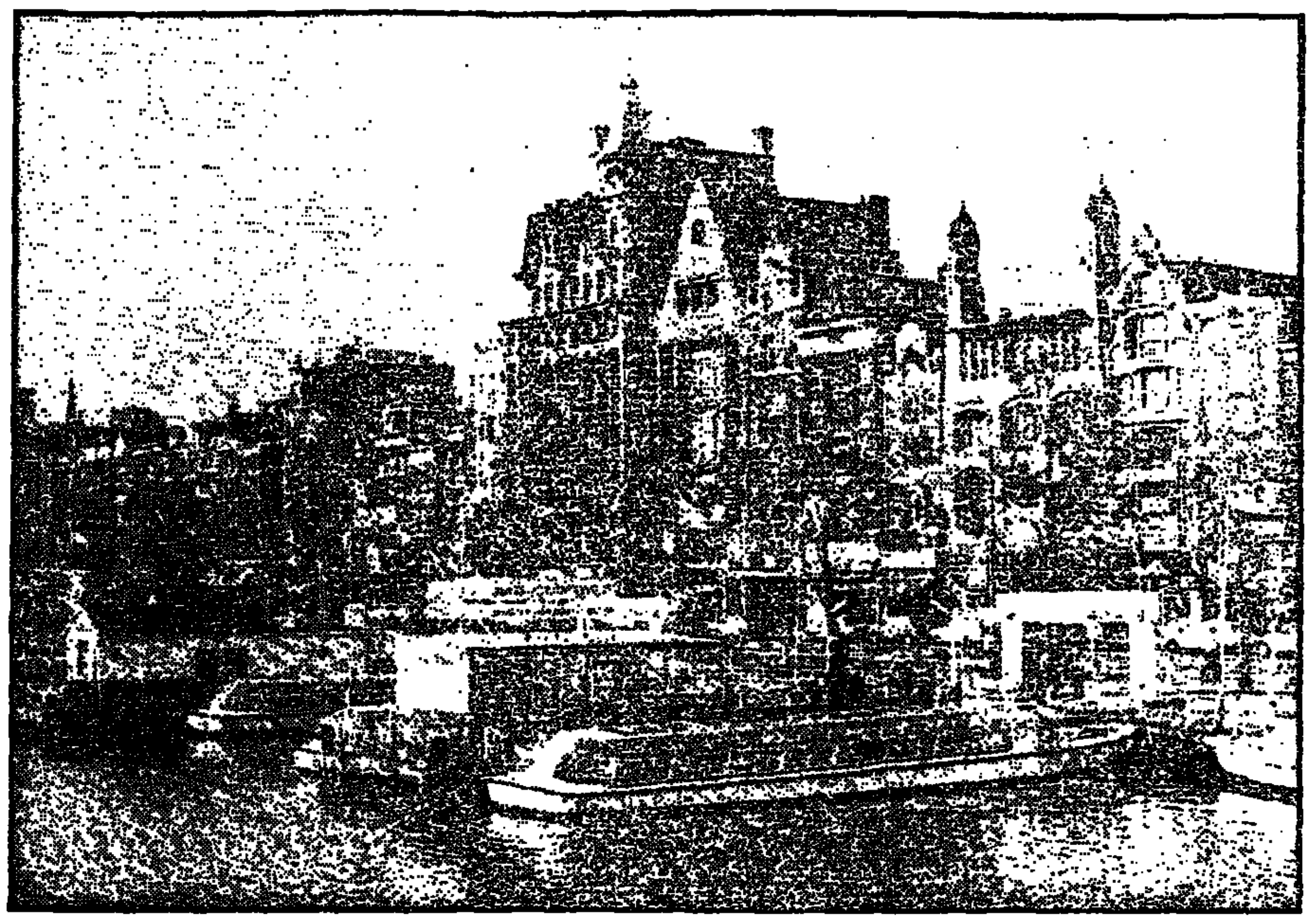
FINANCIAL TIMES SURVEY

Wednesday July 16 1986

The Netherlands

Banking, Finance and Investment

The Dutch are determined to maintain and promote Amsterdam as a major financial centre in the face of growing competition but are reluctant to move too quickly. Some tough choices lie ahead



Amsterdam: financial centre of the Netherlands

Caution prevails over liberalisation

By Laura Raun, Amsterdam Correspondent

CHANGE IS slow but sure across the landscape of Dutch banking and finance. The fashionable trends of liberalisation, securitisation and globalisation are viewed with healthy scepticism. Bankers recognise the fresh opportunities for new markets but they are more concerned with preserving the good name of Dutch finance than with jumping on the bandwagon.

The Dutch are taking a two-pronged approach. On the one hand, they are forging ahead with deregulation of the capital markets and international link ups of securities exchanges. Competitive pressures from other financial centres, notably London and Frankfurt, have forced Amsterdam to polish up its image.

On the other hand, banks have been slow to use the new freedoms allowed under liberalisation and globalisation. Only a modest number of innovative capital markets issues have come out since the January 1 deregulation and internationally linked securities trading has yet to take off actively.

Mr Reinier D. Fuchs, executive secretary of the Amsterdam Stock Exchange, explains why change is so slow. "The merchant bank tradition is much less developed here than in Britain," he says. "The big banks' branch networks would prefer to make a loan than to bring a company to the parallel market."

The Dutch Central bank, like its counterparts around the world, has put banks on notice that it is watching closely the effects of securitisation — borrowing through the issue of tradable securities. Off-balance-sheet credit facilities will be counted in solvency requirements, according to the Nederlandsche Bank, the Central Bank.

Nevertheless, some landscape contours probably have changed forever. Borrowers have found cheaper ways of getting money while lenders have discovered more lucrative ways of lending money. Interest-rate margins may never again be as wide as in the past. New players in the market such as near banks and financial conglomerates resulting from deregulation have intensified competition.

The most dramatic development in the Netherlands during the past year was the sweeping liberalisation of the capital markets that took effect on January 1. An array of new financial instruments was allowed and issuing procedures and borowing limits were relaxed. As the Dutch capital markets already were among the freest and most international in the world, the liberalisation amounted to a keen competitive bid to recoup business lost to others and to draw fresh investors.

The capital markets deregulation is among the most important steps in a rolling "Big Bang" that is seen as girding Amsterdam for London's Big Bang in October. The city's new freedoms on top of the considerable business already siphoned off from Amsterdam were convincing reasons for a series of moves aimed at improving the Dutch financial market's attractiveness. Two big problems of the Amsterdam Stock Exchange were very high commissions and lack of liquidity for block trades.

The bourse began with a commission cut in in late 1984, followed by longer trading hours, another round of commission cuts, plans for Japanese stock listings and an experimental professional market for block trading. Baron B. F. Van Ittersum, chairman of the stock exchange, has been a driving force behind the modernisation moves.

"It must be possible to pursue a successful, more offensive strategy alongside a defensive strategy that is directed at maintaining the Guilder market in Amsterdam," he has said. "Thus we must strive for a link in the trade between the time zones of America, Japan and Europe."

The European Options Exchange (EOE) has eagerly pursued global link ups, joining with Montreal, Vancouver and Sydney in establishing the world's first nearly round-the-clock gold and silver options. These fungible options — indentical contracts which can be traded on all four exchanges — have yet to stimulate much extra activity but they are necessary to prepare for the future, according to Mr Tjerk Westerterp, general director of the EOE.

Dutch banks, many of which already have sizeable overseas operations, have continued to expand abroad. Amsterdam-Rotterdam Bank (Amro), the second largest commercial bank after Algemene Bank Nederland (ABN), last year brought out its partners in the EBIC consortium to take complete control of European Banking Company, a London merchant bank. The buy-out was aimed at securing a foothold in the City in preparation for the Big Bang.

ABN, which has by far the biggest overseas network, has been actively looking for an American bank and recently purchased a small one in Illinois, the Bank of Lisle. Rabobank, the co-operative bank that is the second largest in balance sheet terms, recently opened three branches and representative offices in the Far East.

At home, Amro has consolidated into one Treasury department its money market, capital market and foreign exchange activities to facilitate the issue of new instruments such as currency swaps and floating-rate notes. ABN is turning its attention to the domestic, retail market with a big automation project aimed at improving service for customers with video terminals in all branches.

Foreign financial institutions, which have been growing in number for some years, have responded enthusiastically to the liberalisation drive, which gives them new privileges. Credit Suisse First Boston has just bought Bank Jonas & Kruseman, a small Dutch commission house, in an attempt to exploit the fresh freedoms in the guilder capital market. Citibank of the US, among the biggest banks in the world, became the first American member of the Amsterdam Stock Exchange earlier this year.

Three of the top four Japanese securities houses — Daiwa, Yamaichi and Nomura —joined the Amsterdam Stock Exchange this year and are expected to promote dealings in the Japanese shares to be listed later this year.

On the Amsterdam Stock Exchange, volume surged 46 per cent to Fl 140.4bn in the first six months of 1986 compared with the year-earlier period. Some 20 new securities were listed. Daily turnover on the Amsterdam Interprofessional Market (AIM), the blocktrading sector, have averaged recently about 10 per cent of that on the main bourse.

Much has remained the same, however. A majority of corporate borrowing still is done through traditional loans instead of the issue of securities. Interest income still accounts for an average of 70 per cent of total income for the top six banks in the Netherlands, including two foreign ones. Income from fees and commissions has grown in recent years but still accounts for only 20 per cent.

Several reasons are cited for the relative scarcity of more innovative products such as currency swaps and commercial paper. One is that Dutch concerns are relatively flush with cash and need little from outside sources. Another is that Dutch banks still would prefer to give an old-fashioned straight loan than arrange a note issuance facility, for example.

Lack of expertise may be a problem but so is the worry over a sufficient secondary market. The absence of a Dutch rating agency for a borrower's quality also has been cited.

Wholesale banking activities

CONTINUED ON NEXT PAGE

CONTENTS

Capital Markets

Slow response to new financial instruments

HIT BY currency volatility, political uncertainty and a steep fall in government revenues as a result of tumbling gas prices, the Dutch capital market has not lived up to the excitements promised late last year as a result of the introduction of a broad measure of trading deregulation.

Activity has been heavier than in 1985 with bond turnover for the first five months running more than a third higher. But almost all the gains in volume were concentrated into March and April—before and immediately after the European Monetary System realignment which revalued the guilder in line with the West German D-mark.

Subsequently, dealing levels have been very flat, with trading volume in May reverting to the pattern of January and February. Dealers in Amsterdam even found it hard to get much mileage out of the recent Dutch election—absolute cliff-hanger right up to polling day—and new issue business still shows no signs of reviving.

Lacklustre markets are always a disappointment, but by far the biggest anti-climax in many ways has been the almost complete absence of follow through to the deregulation measures unveiled by the central bank last November. This was to have been Amsterdam's version of the Big Bang. It looks to have come and gone with minimal impact.

The borrower response to the range of new financial instruments on offer from the turn of the year has been very slow with a market in some categories of short-term paper simply not getting off the ground. The number of new issues of non-bank commercial paper can be counted on the fingers of one hand. Offerings in Certificates of Deposit (CDs) and Floating Rate Notes (FRNs) have been equally subdued.

In retrospect of course the Dutch authorities could not have chosen a more inhospitable time to attempt to widen their capital markets. Gas price softness had already begun to cast shadows over the Dutch economy, but the EMS moves—which have forced up local short interest rates—could not have been foreseen.

Yet critics of Dutch deregulation say that the central bank's measures do not go far enough in helping to push Amsterdam back into the world market place for capital. Fixed trading commissions and a penalising stamp duty continue to chase investment funds away, they claim.

However, the stock market's difficulties with commissions and stamp duty are continually being reviewed and many observers are confident that a more equitable situation may shortly be implemented. In the meantime, the main constraint to business levels is the acute tightness of the Dutch money market which is being held firmly in check by the central bank.

When the EMS reshuffled its currency levels in April in order to take the strains off the French franc, the guilder found itself caught up in the cross-fire. This led to a sharp rise in local money markets as the guilder slumped to the bottom of its parity grid and the central bank fought to keep the situation under control.

There are clear hopes for lower Dutch money costs as the year wears on, but for the moment with short rates holding very high the yield curve in Amsterdam remains as flat as the surrounding landscape.

With interest rates in West Germany showing no signs of wanting to move lower there is thus a very firm floor under Dutch bond yields at a time when the main competition for investment funds — equities — continue to perform strongly. According to the ANP-CBS General Index, Dutch share prices are pressing up against their recent peaks for a gain this year of more than a fifth.

The uncertainty in the bond market has kept new issue business at a low ebb. Part of the problem is that the corporate sector is bolstered by strong cash-flows. Even the Government — despite falling gas revenues — has been able to curb its appetite for new funds.

As a result, new issues of debt have been struggling to hold on to their levels of 1985 with issues of listed bonds raising Fl 14.5bn of new money over the first half of this year, and Euroguilder bonds Fl 800,000m. For the whole of 1985 the comparable figures were Fl 30.5bn and Fl 2bn.

Evidence suggests that the new issue market in placements has also been subdued in contrast to the frenzied activity of 1985. The market in Amsterdam for unlisted bonds probably accounts for more than a third of total net supply and demand for Dutch capital. The pension funds, which did so much to swell borrowing activity last year, have had a quieter start to 1986.

The changes in financial market regulations that came into force at the turn of the year were relatively far-ranging in their attempts to widen the market.

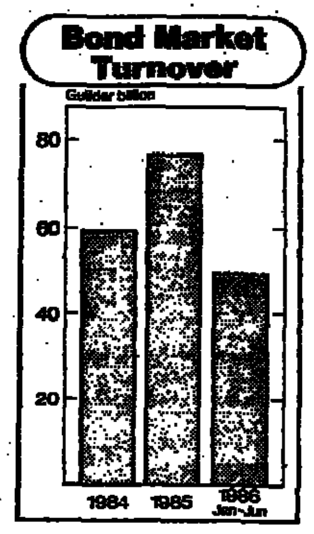
The minimum maturity on listed bonds was reduced from seven years to just two years, and bullet repayment was inaugurated. Lead management of issues was opened up to foreign banks, and non-Dutch co-managers were given the chance to underwrite up to a third of any issue in contrast to the limitations of 20 per cent under the former regime.

Before 1986, the central bank maintained a strict new issue calendar, forcing borrowers into a rigid system of queuing. There were also prohibitions of prospectuses. Today the new issue calendar has been scrapped, although new borrowings are being limited to no more than one a day.

Domestic bonds as well as Euroguilder notes have been made much more receptive to foreign borrowers. The former ceilings of Fl 400m and Fl 150m per domestic and Eurobond issue have been abandoned. The central bank has also eased up significantly on the currency restrictions that once hampered foreign borrowers in the domestic bond market.

But the package of new regulations still leaves a number of gaps. Zero coupon and index-linked bonds remain off limits, although the Government is understood to be working on a tax treatment that would allow limited use of zero coupon paper.

Jeffrey Brown



European Options Market

A bevy of projects waiting in the wings

MIDDLE AGE has gripped the European Options Exchange. After achieving a certain amount of success, the EOE now is searching for the next step. Must the Amsterdam Options Exchange admit its limitations and scale back its aspirations or throw caution to the wind and forge ahead? Both, says Mr Tjerk Westerterp, the moving force behind the eight-year-old EOE.

Mr Westerterp, the ebullient director general of the EOE, never admits defeat. The former Dutch transport minister and European Parliament MP has guided the options exchange since it was spun off from the Amsterdam Stock Exchange in 1978.

It is the effervescent Mr Westerterp who made options a household word in the Netherlands by sponsoring a soccer team, show horse and music concerts.

Even the perennially optimistic Mr Westerterp, however, has to concede that the original plan to trade options on a cross section of European stocks with international support failed. The last foreign stock option, Petrofina of Belgium, was ended recently and now only Dutch equity options are listed. Instead of EOE, the simple name options exchange now is used.

But Mr Westerterp refuses to give up entirely and plans for more international link-ups. His thoughts are running to London, New York and Tokyo.

It is indeed Dutch stock options that are clearly the most successful products on the EOE, accounting for an overwhelming 85 per cent of all turnover. Royal Dutch/Shell, Philips and Akzo have consistently been the most popular contracts for years.

Mr Westerterp, however, is not content to rest on his laurels, which include a doubling of earnings to Fl 18.4m last year from 1984. A bevy of projects are in the wings, waiting to be launched this year.

● Introduction of an option on the US major market index (MMI). A basket of blue chip stocks created by the Amsterdam Stock Exchange already lists an option on the MMI so trading would be fungible, that is completely interchangeable, so that a position opened in one market could be closed in the other.

● Reintroduction of an option on the EOE stock index, an index that covers the 15 Dutch stocks upon which EOE contracts are listed. The EOE index option was suspended two years ago pending parliamentary approval of cash payment as a means of settling the contract. Approval is expected this year.

● Launch of options on crude oil or petroleum product futures in conjunction with businessmen in Rotterdam, one of the leading spot oil markets in the world. Under consideration are futures contracts traded in New York and Chicago.

● An Amsterdam financial futures market, backed by the EOE, is due to be launched later this year. The introductory contract is expected to cover an index of five Dutch Government bonds. About one-quarter of all buyers of Dutch Government bonds these days are foreign so a futures contract presumably could count on a measure of international demand.

● In the thinking stage are options on a handful of the 30 Japanese stocks that are to be listed on the Amsterdam Stock Exchange later this year. A yen/guilder currency option also has been suggested.

Mr Westerterp has also floated a trial balloon to the London Stock Exchange on listing jointly an option on a European stock index that would cover a basket of shares from various European countries. The index option could be traded in European Currency units (Ecus).

London has yet to reply and, meanwhile, has wrapped up a deal with the Philadelphia Stock Exchange on fungible trading of currency options. The transatlantic link up is bound to heighten competition with Amsterdam, which touts a half dozen currency options of its own.

Amsterdam and London began their listed options within weeks of each other in 1978 and have been engaged in fierce competition ever since. The EOE, the sixth largest options exchange in the world, is now averaging about 30,000 contracts a day. That is often twice the turnover in London.

Growth has been rapid in recent years, with the total number of trades rising by 38 per cent to 7m in 1985. Net income more than doubled to Fl 18.4m from Fl 8m while membership rose to 190 from 173.

The numbers are more impressive when compared with the EOE's sluggish start. The original idea was to list options on a broad mix of European stocks—Dutch, British, West German, French, Belgian—as well as American. But that was soon pared back for lack of demand. Financial losses during the first few years exceeded Fl 4m.

The turning point was 1981 when the options exchange moved out of the red and into the black. Trading volume, membership and product range have grown steadily since then. But problems clearly remain.

International trading link-ups, despite their glamour, have done relatively little to stimulate trading, Mr Westerterp admits. Other securities exchanges also have conceded, only under pressure, that their globe-straddling computer link-ups provide more image than investors. But many bourse executives probably agree with Mr Westerterp: "I'm convinced that in five to 10 years global trading will be more and more important."

The EOE has been among the leaders in international link-ups, combining with the Montreal, Vancouver and Sydney stock exchanges to provide round-the-clock trade in gold and silver options. A sterling/dollar options contract is fungible between Amsterdam and Montreal.

Volume in some products is low. Dealings in the currency options except for the Dutch guilder are especially meagre. The modest turnover in some contracts can present a liquidity problem if an especially big order comes in. Foreign investors remain a small minority. The EOE is trying to drum up interest from abroad but it is slow going.

Volume overload can create a problem. Turnover surged to unmanageable levels on May 22, the day after the Dutch general elections, and pricing was badly out of kilter. After an internal audit, the EOE agreed to reimburse investors to the tune of Fl 300,000 for faulty executions.

The EOE, however, is determined to keep up with the stiff competition worldwide. By autumn the exchange should be ensconced in a prestigious new building that will also house the new headquarters of Pierson, Heldring & Pierson, the leading merchant bank. New computer equipment is designed to handle daily volume of up to 200,000 contracts, thus avoiding any duplication of the May 22 foul-up.

Laura Raun

A scale model of a Dutch passenger train rolls along in a clear plastic case outside the office of Mr Tjerk Westertrep (left). It is a reminder of the days when he controlled the country's sophisticated train system as Minister of Transport.

It was not until 1978, after 25 years in politics, that Mr Westerterp completely switched careers and became general director of the EOE (a model of its new home in the autumn is shown right). He had also served as assistant minister for foreign affairs and member of the European Parliament.

A head-hunter service retained by the Amsterdam Stock Exchange found Mr Westerterp. Mr Wim Duisenberg, now the president of the central bank, and then a cabinet minister, encouraged Mr Westerterp to make the leap.

"From the beginning I've managed it like a company board," says the 56-year-old Mr Westerterp, who has a master's degree in social and political science. "I felt that decision-making should be swift."

Caution prevails over liberalisation

CONTINUED FROM PREVIOUS PAGE

now subsidise retail operations, with corporate clients paying very steep fees compared with West Germany, for example, while private individuals pay nothing for a current account. The individual customer has been coddled for so long that any one bank is reluctant to be the first to start imposing charges.

Automation is one way to cut operating costs and lessen the need for higher fees but Dutch commercial banks have lagged embarassingly behind most others in Europe and the US in electronic banking. The highly efficient and cheap giro system plus Eurocheques mean that customers do not need automated teller machines, bankers argue paternalistically. Fear of labour union strife has also slowed computerisation.

Universal banks are beginning finally to try to catch up in electronic banking but are finding a dearth of skilled employees who can manage a video terminal and deal with the public at the same time. Mr J. C. Van Kessel, director of the Netherlands Institute for Banking and Securities explains: "An underlying competition (between banks) will be in the quality of personnel," he says. "What is needed—and there is a shortage—is someone who can be the friendly girl behind the counter and who also is good with a keyboard."

Dutch banks' tendency to react instead of act risks losing more market share to foreign financial institutions and near-banks, such as Robeco's money-market fund called Roparco and Nederlandsche Credietbank's Direktbank, which offers attractive interest rates by passing along the lower costs arising from the absence of branch outlets.

Foreign banks have already lifted their market share of all balance sheet totals to 23 per cent from 14 per cent in 1980. Dutch banks profitability — net income as a percentage of balance sheet total — has remained unchanged at a modest 0.3 per cent for three years.

In the equity market, risk-taking is sometimes lacking. It has been said that institutional investors occasionally have difficulty finding any bank or broker to quote a bid on a bloc deal, even in blue chip Dutch stocks. It is this alleged insufficient liquidity, as much or more than fixed commissions, that has driven business to London. The Amsterdam interprofessional market is designed precisely to solve that problem.

The parallel market, another gauge of risk taking is doing well but still lagging behind the growth pace of London's unlisted securities market and Paris's Second Marché, according to Mr Fuchs of the Amsterdam Stock Exchange. Lack of familiarity and less favourable fiscal measures explain the Dutch parallel market's slower growth, he says. But he adds, "when a little company in Zwolle goes to talk to its bank manager, he won't say go to the parallel market."

Mr Van Kessel of the Netherlands Institute for Banking and Securities concludes, "Factually, not much has changed. There is no big breakthrough. Securitisation and liberalisation are nice but the income still is coming from loans."

The exchange floor of the Amsterdam Stock Exchange

Commercial Banks

Slowdown ahead in growth of net income

HEALTHY SCEPTICISM—maybe even a touch of fear — is the best way to describe Dutch banks' reaction to the fashionable trends of the day: liberalisation, securitisation and globalisation. Some trends are here to stay, they realise, but it is a matter of picking the right ones.

The dramatic liberalisation of the capital markets that took effect on January 1 is virtually certain to remain, permanently changing the landscape. Still, the response has been rather slow. Of the new kinds of paper permitted — bullet bonds, floating rate notes, certificates of deposit and commercial paper— only a modest pile has come out. Much of that has been bullet bonds, which are quite traditional by international standards but previously forbidden in the Netherlands because of inflation fears.

Bankers along Amsterdam's Herengracht canal cite any number of reasons for the slow response to the liberalisation: slack credit demand from companies, concern over sufficient liquidity in the secondary market, and lack of a credit rating agency. Inexperience with more sophisticated products and satisfaction with the traditional capital and money markets have also played a role.

Some felt that the deregulation package was unveiled too quickly without sufficient warning although nearly all bankers agree that the measures were necessary to stay competitive with London and Frankfurt.

Securitisation — borrowing through the issue of tradeable securities — still remains less popular than straight corporate loans. Dutch banks seem to prefer the traditional forms of corporate finance that grew up around shipping and foreign trade. The Dutch central bank has also said that it will consider off-balance-sheet credit facilities in solvability requirements. Details are not yet clear but that could reduce the attractiveness of some financial instruments.

Globalisation is actually a long-term trend stretching back centuries among Dutch banks. International finance sprang up in the 16th century along with Amsterdam's big and powerful merchant fleet. The forerunner of Algemene Bank Nederland (ABN), the Netherlands Trading society, was founded in 1824 by King Willem I to promote flagging trade with the East Indies colony.

All three top banks — ABN, Amsterdam-Rotterdam Bank (Amro) and Rabobank, the co-operative bank — have good-sized overseas operations and expansion is continuing. ABN has been searching for some time for an American bank to buy and recently announced that it would take over the Bank of Lisle in Illinois. Rabobank has just opened three branches and representative offices in the Far East.

Dutch banks as a whole posted spectacular profits in 1985, with the top six lifting net income by an average of more than 17 per cent. A sharp rise in commission and fee income and a big drop in loan-loss reserves accounted for the earnings surge. Net income is expected to grow more slowly this year because loan-loss reserves probably will not fall so sharply.

Commission and fee income, which accounts for an average of 20 per cent of total revenue among the top six banks (which include two foreign banks), has continued to rise this year on the buoyant financial markets.

Some top bankers like ABN's Mr Robertu Hazelhoff, however, are reluctant to view the steep rise in commission and fee income as a permanent trend. Traditional borrowing and lending, which generate about 70 per cent of all income, will remain a top priority at ABN, he says.

That's why ABN is spending Fl 150m on its "open bank" project to refurbish all 700 domestic branches in a comfortable, living room style to appeal to retail customers who borrow and save. Computer terminals, low-slung furniture and green plants are supposed to create a modern image while instant data is available from friendly bank tellers trained to handle a video terminal and a demanding client at the same time.

Other universal banks, notably Amro, are putting more emphasis on commission and fee income. Last year Amro bought the European Banking Company, a London merchant bank, from its EBIC consortium partners in an effort to gain a stronger stake in European banking but wanted full control over the merchant bank's respected Euromarkets operations.

Merchant banking activities have also been stepped up at Amro's West German bank, Handels und Privatbank, now renamed Amro Handelsbank. The 12-branch bank took a small share recently in a West German retail co-operative with the intent to resell it on the public market. The move was viewed as a bit of a coup in the light of Deutsche Bank's near monopoly on the German issue market.

Amro also has made sweeping organisational changes in its Amsterdam headquarters. A corporate treasury department was created last year to combine under one roof the money market, capital market and foreign exchange desks with the aim of increasing speed and flexibility in sophisticated issues like commercial paper and floating-rate notes. Amro is the only Dutch bank to organise such a treasury department, a trend more common among US banks.

Mr R. J. Nelissen, Amro chairman, recently explained his bank's philosophy. "In the current situation on the capital market, financial institutions must endeavour with all their resources to maintain and strengthen their position. That means dropping the traditional role of . . . pure intermediary between business and the market as much as possible.

"A bank can no longer only appear as a pure issue manager and setter of a reasonable price. In order to remain competitive, it must take over the share of a business with the aim of bringing it to the market."

Another area where Dutch banks have lagged is in electronic banking, both for back-office automation and for front-office convenience for customers. Bankers explain with great self-satisfaction that the Dutch giro clearing system is the cheapest and most efficient in the world.

They argue that the widespread use of Eurocheques makes automated teller machines (ATM) unnecessary and ignore the fact that Eurocheques shift banking services to merchants, who may or may not feel like paying out cash.

The realities of modern banking, however, have left no choice but to automate. Corporate clients, offered highly sophisticated financial services from foreign banks, are finally getting computerised treasury management systems and other packages from Dutch banks. Back-office functions are also slowly being computerised in an effort to cut labour costs and structurally reduce total operating costs.

Clearing activities remain very labour intensive among Dutch banks with a private current account costing more than Fl 600 a year to maintain. In wage negotiations with labour unions, banks have been quite reluctant to push automation for fear of strikes.

As a result, staffing levels are too high and there is a mismatch in employees' skills. Too many bank workers have low skills that are not needed due to automation and too few have computer skills needed for the future.

In many ways, Dutch banking has changed little. The same few players retain their tight grip on the market in a way that makes the Netherlands one of the most concentrated financial markets in the world. As much as 90 per cent of the new issues market is dominated by the "clover leaf"—ABN and its merchant subsidiary, Bank Mees & Hope, and Amro and its merchant bank, Pierson, Heldring & Pierson. The concentration could even increase now that insurance companies and banks can hold bigger stakes in each other.

Institutional investors, with Fl 482bn of investments, increasingly dominate the financial markets. Dutch pension funds, with Fl 260bn, are the richest in the world and can hardly find enough places to put their money—especially since most invest no more than 5 per cent in equity.

But the trends seen in banking around the world cannot be ignored in a country as internationally oriented as the Netherlands. Change must come, painful as it may be.

Laura Raun

How the Top six performed

	Balance sheet total: Percentage increase 1976/80	1983	1984	1985	Amount 1985 Fl(bn)	Net income: Percentage increase 1976/80	1983	1984	1985	Amount 1985 Fl(m)
Amro	17.1	9.6	1.9	7.2	122.8	10.0	28.4	19.1	34.9	240
ABN	18.1	7.8	10.9	−2.2	142.5	10.5	7.1	4.5	19.2	478
Nederlandsche Middenstandsbank	21.1	6.6	7.7	2.7	79.2	22.2	14.1	8.9	22.1	180
Nederlandsche Credietbank	19.2	1.5	1.4	−12.9	12.2	11.7	21.6	−21.1	9.9	7.8
Credit Lyonnais Nederland	16.4	−4.2	24.3	17.6	16.1	*−16.9	—	—	—	—
Rabobank	17.7	7.4	7.7	3.4	121.7	24.3	15.6	9.4	8.1	663

* After-Tax profits have been allocated to the general contingency provisions since 1983 when Slavenburg's Bank was wholly acquired by Credit Lyonnais

Co-ordinator of the team at ABN

Robertu Hazelhoff explains his role as chairman of Algemene Bank Nederland

Robertu Hazelhoff: a banker from the old school

WORKING YOUR WAY up from the bottom to the top of a company is a bit old-fashioned. But that is precisely what Mr Robertu Hazelhoff, chairman of Algemene Bank Nederland (ABN), did and it explains much about his management style since taking over the reins of the Netherlands' largest bank a year ago.

"I don't want us to be a fashionable bank," says the genial, pipe-smoking Mr Hazelhoff, aged 55. "Externally we should have a long-term relationship of standing behind our client and internally we should have good relations with our own people."

He began in 1952 as a lowly clerk opening registered mail in the back office and tending the counter in the front office. He then spent the next years climbing the ladder through posts in Kampala, Buenos Aires and New York, spending one-third of his 33-year career with ABN abroad. In May 1985 he became chairman of the managing board.

"I spent 10 years learning the bank," recounts Mr Hazelhoff, who speaks seven languages, including Swahili. "I know all aspects." That contrasts sharply with the trend in banking nowadays toward short and intensive training for recruits who are shuffled from one department to another.

Coming from the old school, Mr Hazelhoff takes very seriously the long history and rich tradition of ABN. Created in 1824 by King Willem I as the Netherlands Trading Society, the company was aimed at restoring declining trade with the East Indies, today Indonesia. Within a couple of years the trading society had established posts as far flung as Jakarta, Canton and Buenos Aires.

"Yet the trading society never became a flourishing trading company," admits ABN's official biography. "It was only acting as a middleman in the trading of tropical produce that it booked good results over a long period of time. Despite these latter results and despite its name, the society seemed destined nevertheless for the banking profession."

In 1964 the Netherlands Trading Society merged with the Twentsche Bank to form ABN and today boasts an international network of 249 branches and affiliates in 44 countries on five continents. At home a 700-branch network saturates the Netherlands.

ABN has continued to expand overseas in recent years, adding branches in Stockholm and Boston this year and that trend will continue. "We are still looking in the US for a very well-managed bank with a good loan-loss portfolio and that also is cheap," he says with a hint of pie-in-the-sky tone in his voice. Recently ABN announced that it was taking over a small bank in Illinois, the Bank of Lisle.

A portrait of King Willem I adorns one wall of Mr Hazelhoff's modest sized but well appointed office serving as a reminder of ABN's charter and as an inspiration for the future. "My main goal is to keep the bank sound and to maintain the excellent, first-class reputation that we have," explains Mr Hazelhoff. "That began with King Willem in 1824."

Looking back on his first year as chairman, Mr Hazelhoff says his biggest achievement was that "we have continued in the same way as before. Continuity is the most important thing in banking. Changes must come slowly."

As the head of a bank to which many look for guidance, Mr Hazelhoff of course does not have his head in the sand. ABN is engaged in one of the most dramatic modernisation plans among Dutch banks.

All 700 of its domestic branches are to be refurbished with an array of new computer equipment, trained staff who can both read a video terminal and deal with the public, in a living room atmosphere. "This is to improve service to clients and to enable employees to become more productive," explains Mr Hazelhoff. "In 20 years people will do their banking at home. Technologically we know what is available but customer acceptance is evolutionary."

The bespectacled banker views all the buzz about market liberalisation and securitisation — and accompanying growth of fee income —with pragmatism. "The natural inclination is to focus on what is the latest fashion," he observes, "but between 68 per cent and 70 per cent of our income still comes from interest rate margins. Fifteen years ago Wall Street was not doing so well and no one earned a nickel in securities. So why should we concentrate on it now?"

Mr Hazelhoff notes that ABN has come to the capital market with new products allowed since the January 1 liberalisation moves, such as a couple of World Bank bullet bonds and Akzo commercial paper. But he contends that many companies can still borrow more cheaply from the bank than they can issue commercial paper. Also the lack of a rating agency and active secondary market have thwarted the flow of new kinds of products, he adds.

Mr Hazelhoff, who is likely to remain in his post for another five or six years until retirement, abides by the "team management" school of thought that dominates Dutch industry. "I am the co-ordinator of a team," he explains. "That implies that 99 per cent of the time we are agreed on what the team is doing."

Weaving together Mr Hazelhoff's philosophy of management and banking is a heavy thread of humanism — an emphasis on personal contact. "Banking is a people's business," he observes. "Our first job is to see that both clients and employees are satisfied and remain so."

Laura Raun

Savings Banks

Cooperatieve group shows strong advance

WEDGED BETWEEN a farmer's field and a forest of town houses on the outskirts of Utrecht, the Cooperatieve Vereniging van Bondsspaarbanken is literally close to its customers.

The savings bank, like its counterparts in the rest of the Netherlands, primarily caters for the small saver and more recently for the small- and medium-sized businessman. But the Cooperatieve association, the fourth largest in the land, is growing faster than many and is enlarging its market share while savings banks as a whole are just holding their own in the savings market.

Mr J. H. Hoorn, chairman of the Cooperatieve association, attributes much of the bank's success to its members' strong ties to the local community. By promoting affiliation rather than mergers, the Cooperatieve has kept more of its members' local management and flavour, Mr Hoorn avers.

"In the 150-year history of savings banks, they have always been a part of the community society," he notes. "The board members are well-known in the region and that still holds true today."

Decentralisation has also proven to be a good policy in macro-economic terms. Member banks have survived in smaller towns and villages where unemployment has fallen faster than in larger cities and local residents thus have had more *disposable income to save or* invest with the help of business loans. Merged savings banks, in contrast have tended to focus their activities in bigger cities where more poor people live and unemployment has proven more stubborn.

The Cooperatieve association has added two new member banks this year and now numbers 22 which are scattered throughout the Netherlands. Total net income spurted 33 per cent to Fl 13m last year while the balance sheet total rose by *12 per cent to Fl 2.05bn. Both* earnings and balance sheet totals have risen steadily since the association's founding in 1980. Mr Hoorn has recently raised his expectations for this year and forecasts a small increase in earnings.

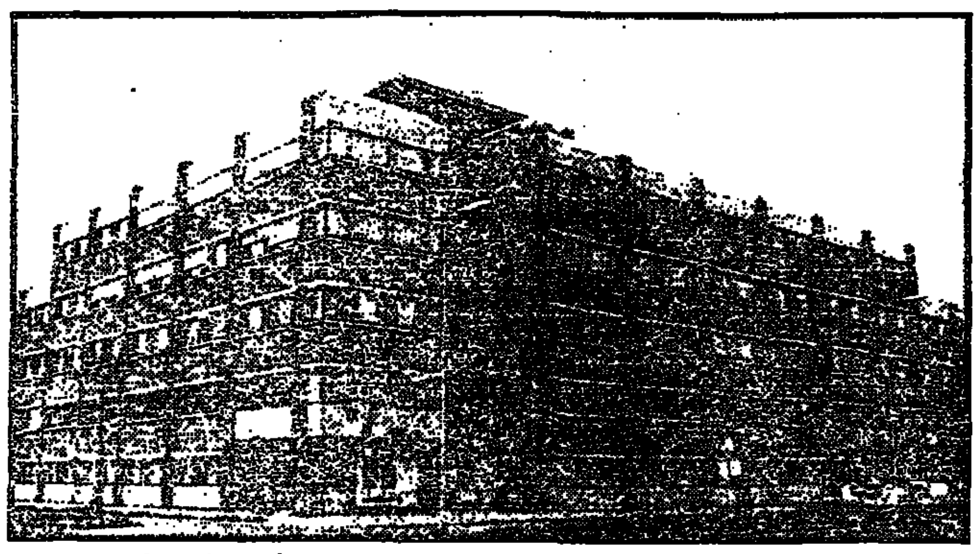
Like the rest of the savings banks, the Cooperatieve is the result of a consolidation of many small, individual banks. The *300 savings banks of a* quarter of a century ago are concentrated into 28 today. That number will shrink again to 20 by the end of 1986, according to Mr W. F. Van Leeuwen, director of the association of savings banks. Eventu*ally there will be* "five big banks and five small ones," he predicts.

Consolidation was needed simply to create economies of scale to compete in times of dwindling interest-rate margins, encroachment by pension funds and *insurance companies and* market inroads by commercial banks and near-banks. Savings banks' share of total savings has plunged to 7 per cent from nearly twice that 25 years ago. Savings as a portion of national income has also fallen sharply during *that time although it has* begun rebounding in recent years and now stands at 15.3 per cent.

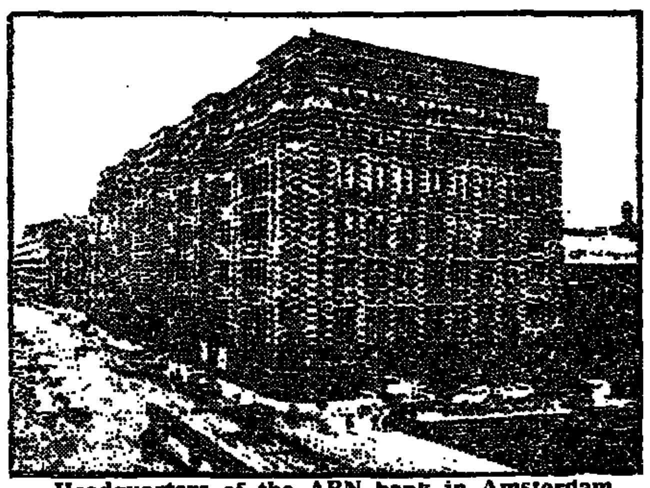
Commercial banks and near banks, relative newcomers to the savings market, have offered higher yielding deposits than traditional savings accounts. The Roparco investment fund that is part of the Robeco group and the Direktbank operated by Nederlandsche Credietbank, which is wholly owned by Chase Manhattan, have drawn savers by the droves.

These attractive deposits have *forced* savings banks to come up with more interest-related products, such as short-term deposits, alongside the old-fashioned, low interest savings accounts. *But the higher yield*ing deposits also have squeezed interest-rate margins.

Pension funds and insurance companies likewise have eaten into the savings pie. Contractual savings offered by these institutions have a fiscal advantage *that irritates savings bankers* no end. Premium payments into pension funds and insurance policies are tax deductible under Dutch law while interest income earned on savings deposits is taxable.



Above: headquarters of the Co-operatieve Vereniging van Bondespaarbanken in Utrecht. Below: Mr J. H. Hoorn, chairman of the association who believes much of the bank's success is due to members' strong ties to local communities.



Headquarters of the ABN bank in Amsterdam

Market Share of Savings

	1981	1982	1983	1984	1985
	Percentage				
Postgiro/Rijkspostspaarbank (Postbank)	13.7	14.6	15.3	15.2	15.0
Savings Banks	16.9	17.3	17.6	17.4	17.1
Rabobank	41.0	40.7	40.5	40.5	40.4
Universal Banks	28.4	27.4	26.6	26.9	27.5

In contrast, the savings banks are not particularly worried about fresh competition from the Postbank, the newly amalgamated Postgiro and Rijkspostspaarbank that opened its doors *on January 1. It has been* known for years that the Postbank would eventually come into being, so savings bankers have been prepared. But the Postbank controls about 15 per cent of the savings market now and could pose competitive *threats if it adopts a more* aggressive stance.

Savings banks are fighting back against all pressures, though. They are moving into corporate lending, a traditional haven of the commercial banks. Corporate loans are usually shorter than mortgages and thus better match the shorter-term deposits.

The more even balance between assets and liabilities is *precisely why Mr Hoorn views* corporate lending as the most promising source of income in coming years. "Customers wanted their interest adjusted more quickly but mortgages and private-placement loans did not allow us to do that," he *explains. "Corporate loans do."*

The main market for savings associations' corporate lending is small- and medium-sized businesses, such as agricultural concerns, wholesalers, veterinarians, accountants and doctors. Many of these borrowers were already depositors with the savings banks but were not allowed to have business credit.

The Dutch central bank first gave savings banks permission *to go into corporate lending in* 1981 but virtually no one did because of the economic recession. Now that the economic recovery has taken hold, savings banks are moving gradually into the new form of credit and its ancillary activities such as letters of credit, insurance and management advice. The price they are paying for the new privileges is liability for regular corporate tax rates instead of the previous exemption.

Savings banks began in 1817 as philanthropic foundations backed by community leaders for poorer people who had too little money and prestige to qualify for commercial bank accounts. The industry paid little or no tax under governmental dispensation and attracted a large number of customers each with a relatively small deposit.

The balance sheet total for all savings banks rose 5 per cent to Fl 30.9bn at the end of 1985 compared with a year earlier while net income fell a slight 2 per cent to Fl 317m. The industry maintained its healthy equity-to-assets ratio at 9 per cent, which Mr Van Leeuwen likes to point out is three times higher than commercial banks.

He notes that the strong balance sheet puts savings banks on a strong footing to withstand the onslaught of competition. An effort to cut costs and improve customer service through automation is also reaping benefits.

The savings associations, with their smaller size, have been much more willing and able to move into electronic banking than universal banks. The benefits have been threefold: keeping smaller banks open, cutting costs and improving retail service.

More than a decade ago the savings banks began on-line computerisation of back-office *accounting, electronically link*ing the far-flung members of the associations. Mr Hoorn estimates that as many as half of all savings banks, mostly the smaller ones, might have had to close if automation *had not* increased their efficiency.

The costs of providing an individual current account, *for* example, have been reduced below the Fl 600 a year the commercial banks pay, Mr Hoorn believes. Customers themselves get served faster since they do not have to wait for bank clerks to riffle through mounds of paperwork.

Not only back office operations but also front office business has been automated. Far more automated teller machines adorn the walls of savings banks than universal banks, providing ready cash 24 hours a day. *The conveniences of* instant cash and quicker service are believed to have attracted a growing number of younger people, a promising group since they are likely to remain account holders for many years.

Electronic banking, corporate lending and new products are all helping to break down the traditional barriers that historically separated savings banks from commercial banks. Savings banks are losing their pampered position as philanthropic foundations and *being expected to compete on* an even footing with other financial institutions.

But Mr Van Leeuwen, among others, is confident. "We're in a very strong position to withstand the competitive pressure with our healthy balance *sheets," he declares* proudly.

Laura Raun

Postbank

Ambition is to provide full range of services

THE NETHERLANDS' newest bank, which opened its doors on January 1 with a balance sheet total of Fl 48bn (£12.66bn) has been around for some time. Postbank, combining all the operations and business of the *Dutch postal giro system* and of the Dutch postal savings bank, carries on traditions that date back to the late 19th century.

Yet its new incarnation is far more than a tidying-up operation of two large postal institutions *which are familiar enough* in most European countries. Postbank intends to build itself up in time into a full, universal bank competing across the entire spectrum of financial services activities. The ambition is well within its reach, given that it *starts with:*

- Some 7m accounts among a population of 14.5m.
- About 45 per cent of the volume of current account transactions.
- A good 15 per cent of the volume of private savings.
- An 11 per cent share of the country's mortgages, second only to Rabobank, the co-operative institution the roots of which are deep in the prosperous Dutch farming community.
- A strong basis of experience in electronic transfer and payment and payments systems.

Small wonder that the Dutch commercial banks fought hard for the best part of a decade to prevent the full emergence of so huge a player into a banking market that, by the mid-1970s, already showed signs of being oversupplied. As a result of the banks' opposition, the Postbank came into being through a political compromise that will exclude it for several years from much wholesale business, foreign exchange and foreign transactions, securities and insurance.

For the predecessor institutions themselves, much of the attraction of joining together into a fully fledged bank was defensive; they had begun to pay more competitive interest rates, offer revolving credits and make personal loans to their customers only in 1977. Yet it soon became clear that they must offer a full range of services or lose business.

Dr C. J. Schotsman, a member of Postbank's four-man board of management, stresses that continuity and security of service to customers could be provided only in conformity with the rest of the market. The bank must meet the same solvency requirements as others, and is subject to central bank, rather than ministerial supervision. It is expressly denied any reduction in postal or telephone charges on the part of its former overlord, the post office. It has 14 offices (predating its January foundation) which specialise in commercial customers' needs, but apart from these is bound to the post office by a contract which at the same time bars the posal authorities from handling business on the part of other banks.

Postbank also pays rent on the basis of an audited apportionment of its share of the costs of post office premises, and of the time spent on its business by post office staff.

One of the crucial differences between Postbank and its rivals is that it has relatively few staff of its own and virtually no investment in the expensive property and buildings which most banks depend on for their retail business. Dutch postal clerks hand out Postbank leaflets, cash cheques and accept cash for deposits or for giro payments.

Any customer who wants a more complex service, such as a mortgage, a loan or a travel insurance package, must either write or telephone (though Postbank has for several years been developing its own electronic home banking services and has some test systems installed).

Such an approach seems to fly in the face of conventional wisdom in the retail banking field, where heavy stress is laid on a friendly, personal approach by institutions in many countries. Yet Dr Schotsman has no doubts that the Dutch public is sophisticated enough to accept a remotely organised banking system, and points out that Postbank's parent institutions have been successfully carrying it out for years. Indeed, the Dutch postal giro became the world's first fully automated account system two decades ago.

Postbank thus holds two trump cards as it struggles to make up for lost time in broadening its scope. First, its low overheads and huge number of customers means that it can ignore pressure within the rest of the Dutch banking system to introduce charges on current accounts.

"In this country, it's a zero sum game," says Dr Schotsman "The other banks will be forced to follow our market leadership, and we have no thought of charging private customers for their current accounts."

The second point on which Postbank can probably afford to defy the competition is the standardisation of card-based inputting devices and delivery equipment for its automated banking system. Postbank is experimenting with real time point-of-sale terminals at some 50 filling stations in the south of the Netherlands.

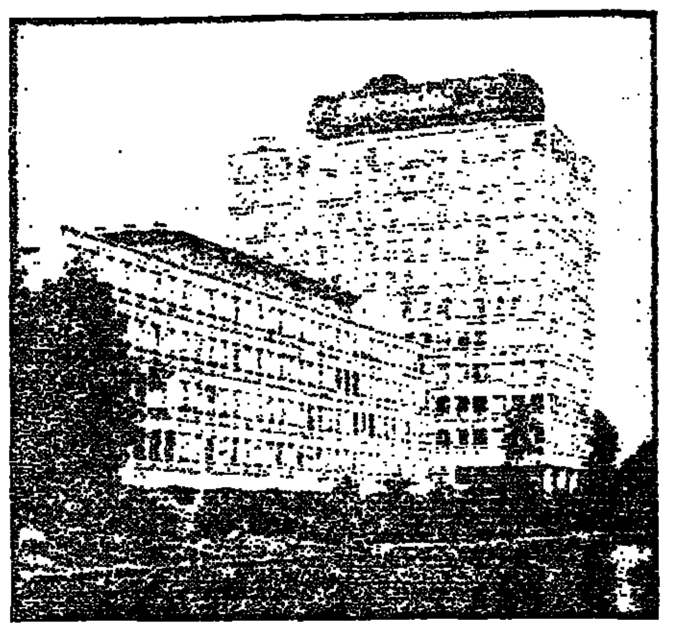
It has also set up a separate *experimental system in the* Rotterdam-Amsterdam region on lines that are deliberately incompatible with those being developed by the rest of the banking community. Dr Schotsman makes no apology for this: "We feel we have to pursue our aims rather aggressively."

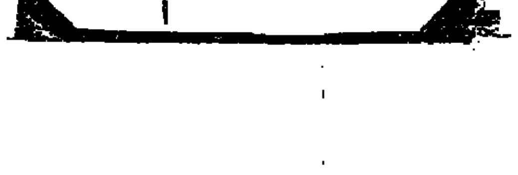
Postbank is also working to broaden its services to Dutch tourists abroad, such as travel insurance, travellers' cheques and the facility to cash postal cheques in foreign post offices—a cheaper *if less flexible service* than the standard Eurocheque.

All this could, however, seem relatively minor compared with the clash of interests that may develop once the present limitations on Postbank's activities are reviewed in three or four years' time. *Dr Schotsman* believes that by that time, the pressures for structural change in the relationship between banks, insurance companies, pension funds and other financial institutions in the Netherlands will be so great *as to force a rethink of the* handicaps under which the new bank has started life — and perhaps even to tempt the Government of the day to sell a slice of its equity.

Adrian Dicks

Dr C. J. Schotsman, a member of Postbank's four-man board of Management stresses that continuity and security of service to customers could be provided only in conformity with the rest of the market. Below: Postbank's head office in Amsterdam.





Amsterdam Stock Exchange

Striving for a place among giants

REVERBERATIONS of the "Big Bang" have been heard loud and clear in Amsterdam, well before the actual event of the restructuring of London's securities markets, due to take place in October.

The Amsterdam Stock Exchange has lost no time building up its present business, and attempting to launch areas of expertise which it hopes will guarantee it a solid future in an era when, according to the conventional wisdom, worldwide trading in equities will be parcelled out among a handful of large and liquid markets.

For a market which ranks, by capitalisation, no more than tenth in the world, the gamble may seem bold that Amsterdam can find a niche for itself among the giants. In two important respects, however, it has already moved towards global trading in the shares of major companies.

It has worked to develop business in original US shares through the Amsterdam Security Account System (ASAS), first set up in 1980. This spring it has also extended the same system to some two dozen Japanese stocks, most of them already listed in Amsterdam in the more cumbersome and expensive bearer certificate form.

In each case, costs are kept low because no physical handling of share certificates is involved; transfers and settlements take place by a book entry system, while in each case, settlement practices of the home market are used.

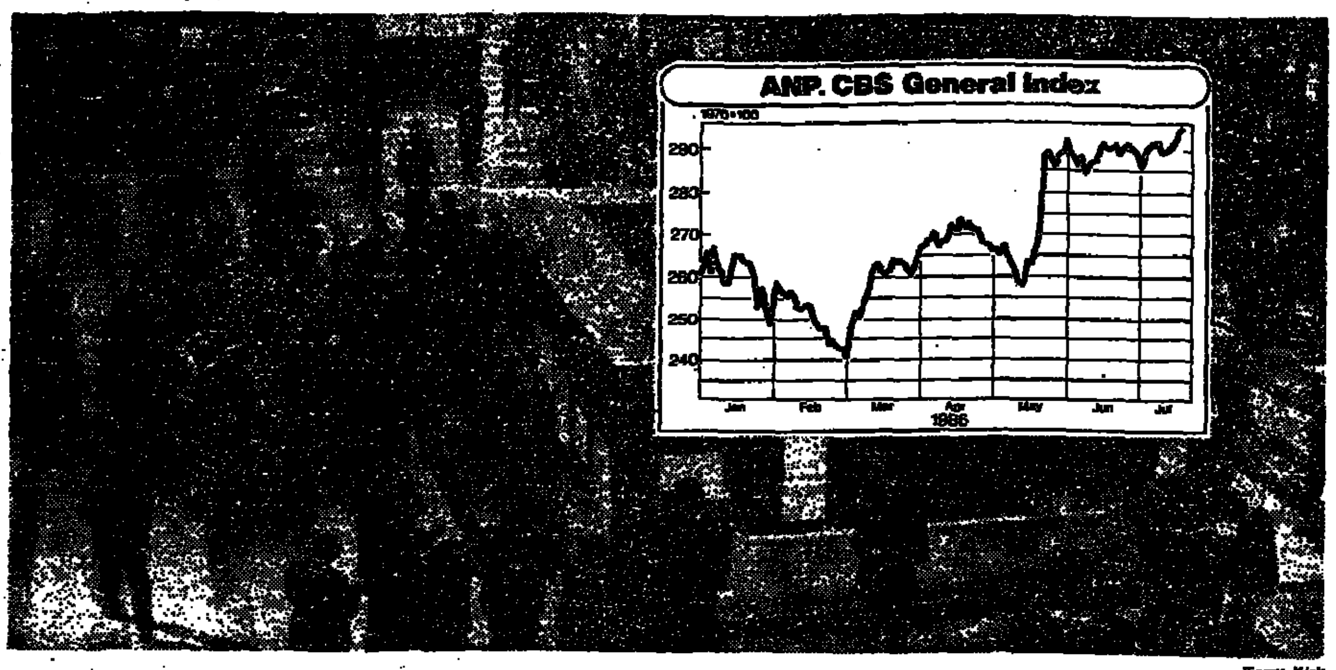
Amsterdam boasts that differences between its ASAS prices and New York Stock Exchange prices in the same stock are less than ¼ point.

The doors have been flung wide to foreign membership of the Amsterdam SE. In addition to a handful of US and French banks, three of the big four Japanese securities houses have taken up membership and are expected to become fully active in the near future.

Mr Akiyoshi Ito, managing director of Yamaichi International (Nederland), describes the Dutch market as small but very orderly, and adds that one attraction of the Netherlands is the universal banking system, allowing Yamaichi to take deposits and make loans in addition to dealing in securities.

With a core of US and Japanese shares in which an inexpensive and accurate market can be made outside New York and Tokyo trading hours, Amsterdam hopes it already has the kernel of a role in the global equity market.

To help develop this further, the Amsterdam SE has also moved to implement a number of structural and regulatory changes of a breadth that cause Mr George de Vries of Pierson Heldring & Pierson, a noted expert on the market, to observe that "in three years' time, the Amsterdam market will be quite different, possibly unrecognisable."



Terry Kirk

The trading floor of Amsterdam Stock Exchange: a move towards global trading has already taken place

The most recent change is the introduction this spring of block trading under the name of the Amsterdam Interprofessional Market (AIM). Mr Reinier Fuchs, executive secretary of the ASE, estimates that within a month of AIM's introduction, as much as 10-15 per cent of the market's daily volume consisted of block trades.

The AIM exists to handle transactions of Fl 1m and over—hardly an enormous sum compared to the block trades that are commonplace in other markets. Its first objective is to win back some of the estimated 20 per cent of dealings in Dutch "international" stocks that takes place in London.

It has long been possible for customers to claim limited rebates from the 0.7 per cent commission normally charged on share dealings in Amsterdam once transactions exceed Fl 1m. For the time being the exchange authorities are keeping an open mind on the question of fully-negotiated commissions, though an evaluation of the matter is due to be completed by October 1.

Yet, whatever its conclusions, it seems unlikely in the long run that Amsterdam market participants will insist on pricing their own services too high; in the new markets developing in such instruments as guilder commercial paper, price cutting is alleged by some bankers already to have reached such extremes that profits have been virtually wiped out.

Among recent steps to improve the workings and transparency of the market, the ASE has adopted a code of ethics dealing with insider trading, based closely on that of the *London Stock Exchange*. The ASE itself will, as in the past, play the principal regulatory role though legislation to back the code up is expected to follow.

In the meantime, the Dutch Government has also tabled a new investor protection law aimed at curbing the numerous bucket shops which have flourished in the Netherlands outside the reach of the stock exchange authorities. While relatively few Dutch investors are thought to have been swindled, the government has evidently acted to protect the good name of the country's capital markets.

A more serious threat to the new role which Amsterdam is trying to fill is widely held to come from the Dutch fiscal regime. The securities industry has lobbied for several years for the abolition, or at least reduction, of the 0.12 per cent stamp duty charged on the effective value of every transaction on the ASE.

In addition, the Netherlands imposes a 25 per cent withholding tax on all dividend income from shares in Dutch companies, whether they are held by foreign or domestic investors. This, too, has been the object of a lengthy campaign, waged by academic economists no less than by bankers, arguing that the tax discourages risk-taking and forces companies to raise debt capital, since no withholding tax is applied to interest payments on bonds.

Although Mr Ruud Lubbers' centre-right coalition Government made no move to accede to the calls for abolition of these taxes during its first period in office, the financial community appears convinced that Mr Onno Ruding, the finance minister, personally favours reform.

Should he keep his post once negotiations are completed on a new coalition, he can expect to be on the receiving end of a fresh round of pleas that Amsterdam's future as a capital market depends on removing what the participants fear could be a serious dampener on business.

"Once you negotiate commissions and cut stamp duty, what more can you do?" asks Mr Fuchs at the stock exchange. "The only thing that remains is to change the mentality; that means you have to get people out of the habit of waiting for the phone to ring and into the habit of going out to generate orders. To get the orders, you need quotes and you need accurate prices."

To this end, the ASE is not only making much of the accuracy of its American prices and, in future, its prices of listed Japanese shares. It is also trying to ensure that despite the new block trading system, the central market price mechanism is maintained and a "dealers' market" avoided of the type now characteristic of Eurobond trading.

Amsterdam is sticking to its system of specialists on the floor, who must be independent of the banks and brokerage firms and may not deal directly with investors. Each specialist, known as a *hoekman*, is assigned a group of stocks in which he makes a market (though in contrast to the New York Stock Exchange system, the market makers compete against one another).

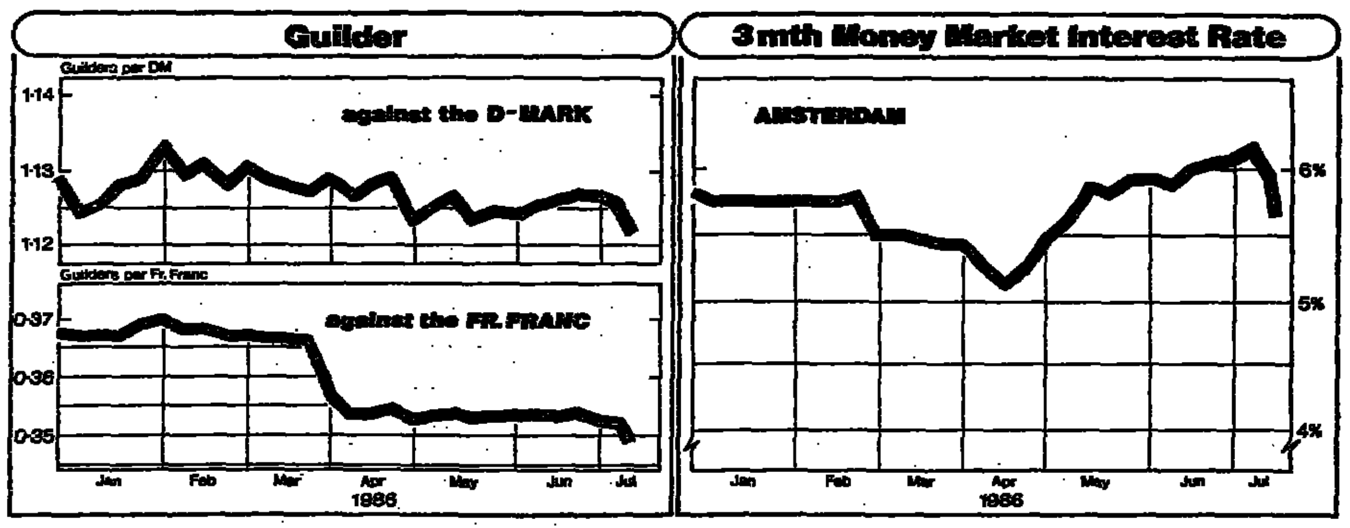
The ASE authorities are concerned that the *hoekman* should participate in the setting of prices in the block trading system. They are counting heavily on the expertise of the three dozen firms concerned to establish the accuracy of the prices of block traded issues, which now extend to some 20 top shares, a handful of the more liquid Dutch Government bonds and equity options on the European Options Exchange.

This year the Amsterdam stock market has shown neither the spectacular gains nor the dramatic sell-offs of other European bourses. Yet the ANP-CBS General Index has gained over 21 per cent since the beginning of the year while price/earnings ratios for the total market, according to DataStream, have widened over the past year to about 12.3 per cent from 8 per cent.

With corporate earnings strong and interest rates declining, Pierson believes the fundamentals still favour growth and looks ahead to a rally once the current coalition talks are completed.

In the meantime the market has also seen a steady trickle of new listings, with 23 new equities and two bond funds added, including among the shares several smaller Dutch companies promoted from the parallel market.

Adrian Dicks



Guilder and the ECU

Sticky situation starts to ease

TRADITIONALLY one of the cooler, less volatile currencies within the European Community, the guilder has made an unusually turbulent start to 1986, forcing the Dutch central bank into strong support action at one stage and leading to a steep rise for local money market rates.

There is nothing much wrong with the Dutch economy. Gas prices might be tumbling under pressure from lower oil prices, but the Government in The Hague is confident it can comfortably compensate for lost gas revenues through a relatively painless package of tax measures. Dutch inflation is low, and the nation's trade balances look solid.

The guilder's difficulties have arisen seemingly through no fault of its own, and as a result there seems little that the Dutch authorities can do, apart from sitting tight and riding out the storm.

This blew up immediately following the first weekend in April when Europe's Finance Ministers met in Ootmarsum on the Dutch-West German border to haggle over the realignment of the European Monetary System. The French left the negotiating table with most of what they had demanded, a 5.8 per cent devaluation. The guilder moved up 1 per cent in line with the German D-mark. In themselves the two events might have caused only a modest stir. But as an overall package the EMS realignment set in motion a number of cross-border currency strains which have proved distinctly troublesome to the Dutch guilder.

The Ootmarsum conference allowed the Italian lira to stay put but led to a number of modest devaluations elsewhere. Denmark and Belgium moved up in line with the Netherlands and Germany. The upshot was a dramatic upsurge in investment demand for the French franc—at the expense mostly of the D-mark and the guilder.

Immediately after the EMS moves the Dutch central bank was forced to support the guilder which may have cost up to Fl 6bn. At the same time money market rates in the Netherlands shot up by around a fifth—from 5 per cent to about 6 per cent and have looked to be firmly stuck at this level ever since.

By the middle of April the guilder was bumping along the bottom of its EMS parity grid while at the other extreme the French franc had moved up to its intervention limit of 2¼ per cent against the guilder. Despite subsequent and quite sharp declines in French interest rates this sticky situation lasted until about the middle of May.

Subsequently the pressures on the guilder eased, but the Dutch central bank continues to keep a very firm rein on the guilder-D-mark cross rate. Something like 80 per cent of Dutch trade is with West Germany and the currency differentials between the two countries are seldom less than crucial to the Dutch authorities.

There have been no official indications, but it appears to Dutch bankers that the guilder-D-mark cross rate is being held within a trading range of Fl 1.123 to Fl 1.13. Any movement either side of this very narrow differential tends to spark off central bank intervention, initially through the money markets.

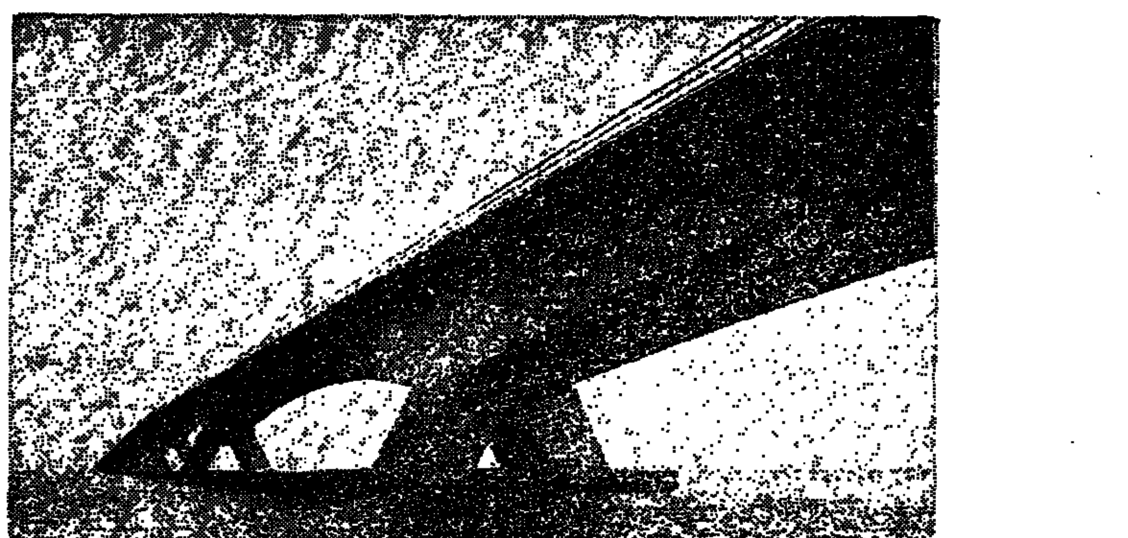
In Amsterdam, bankers feel that the EMS realignment had more to do with political manoeuvring than with hard economic planning. They may have cause to feel aggrieved given the speed at which their source of funds costs shot up in April when the central bank gingered up its dealing rates. But even so few observers entirely doubt these sentiments.

For the moment the guilder pressures are all external. Internally though some disquiet is being created by the debate about Dutch inflation. This has eased to under 1 per cent in recent months—and government ministers stick by forecasts of zero inflation by 1987. But Dutch wages are now rising relatively fast, and the tax increases needed to compensate for lower gas revenues will have an obvious adverse impact on the consumer price indices.

Curiously the upheavals within the EMS this year have not been countered by an upsurge in demand for the Ecu (the European monetary unit). The Ecu is probably used more widely in the Netherlands than most other Community countries, and it already has a relatively strong working base within the Dutch economy. But there are signs that the currency basket has gone partly out of fashion among company treasurers, proving less stable in recent months and more costly.

The Dutch guilder accounts for around 10 per cent of the Ecu weightings with the German D-mark retaining outright dominance at 32 per cent. Sterling and the French franc combined account for more than a third (with sterling at 15 per cent) and it is this which has mostly created the recent instability.

Jeffrey Brown



UK COMPANY NEWS

Aircraft sales soften fall at International Leisure

International Leisure Group, the tour operating, airline and hotels concern, reported pre-tax profits down 5 per cent from £24.8m to £23.5m for the year ended March 31, 1986. The reduction, however, would have been greater but for an increased contribution from aircraft sales of £14.7m, against £11.2m.

The result was in line with the forecast of not less than £23.3m, made in March at the time of the £28.3m rights issue.

Reviewing prospects. Mr Harry Goodman, the chairman, said yesterday that with the benefit of the rights issue proceeds, it was anticipated that the group's first-half profits—before tax and aircraft sales—would be substantially ahead of last year's corresponding £14.8m.

Although early indications were that activity for the second half was at an encouraging level, he said it was impossible to give a firm forecast of the likley outcome. However, the board felt confident that full year profits (before tax and aircraft sales) would be significantly ahead of the £8.8m now reported for 1985-86.

Earnings per 10p share increased from 38.8p to 39.3p and as forecast, there is a final dividend of 3p making a net total for the year up from 4.8p to 5p.

Group turnover for the year rose 23 per cent from £240.7m to £295m. While the tour operating division's turnover rose by 13.5 per cent to £225.3m, lower margins reduced its profit contribution by £2.1m to £4.5m.

The tour operating market last year was very competitive and the total market declined be some 10 per cent. But Mr Goodman said that the strength of the group's multiple branding strategy enabled ILG to achieve a 20 per cent increase in the number of passengers carried, raising its market share to over 15 per cent.

However, the tour operating market for summer 1986 was more buoyant than last year and the group had increased its bookings to date by 75 per cent to 1.5m.

Although, following the unprecedented price competition in early winter 1985 brochure margins this year were lower than in summer 1985, Mr Goodman said it was clear that high load factors would be achieved with significantly less discounting than last year.

When this was combined with lower overhead costs per passenger, he said it would result in higher trading profits in summer 1986.

Intasun has entered the German tour operating market, which is of similar size to that of the UK. Operations commenced for summer 1986 with flights from Dusseidorf, the leading airport for German holiday passengers, accounting for some 40 per cent of that market.

Air Europe continued to achieve a high level of utilisation. Although its profit contribution fell due to the reduction in the size of the fleet, this was mitigated by improved margins, giving a net decline in profit contribution from £5.1m to £3.7m. Air Europe's flight capacity had been fully contracted for summer 1986.

Since acquisition in 1985, the group's three London hotels had performed strongly and contributed £0.6m to profits this time.

The hotels, despite the adverse effects of the reduction in the number of American tourists, were currently achieving relatively high-capacity levels.

See Lex

Healthy response to TV-am flotation

By Richard Tomkins

The offer for sale of shares in TV-am, the breakfast television station being floated on the unlisted securities market, appeared last night to have been healthily oversubscribed.

First indications suggested that 35,000 to 40,000 applications had been received for the 12.2m shares on offer when the application list closed yesterday, and that the issue would be oversubscribed about 10 times.

The response was seen in the City as having been particularly good in the light of the 27-point fall in the FT Ordinary index the day before. TV-am viewers are thought to have responded in large numbers and the shares are expected to open at a premium of at least 10p when dealings begin next Wednesday.

The favourable reaction to TV-am's flotation follows soon after the warm welcome given to Thames Television, whose offer for sale was oversubscribed 27 times at the end of last month.

Thames's shares are now trading at a premium of about 35p to their offer price of 190p.

The precedent clearly favoured TV-am's flotation and there was also speculation that unsuccessful applicants for shares in Thames had sought TV-am shares instead.

Mr David Clementi, a director of the merchant bank Kleinwort Benson which sponsored the flotation, said the issue appeared to have been well subscribed and he was very happy with the response.

The number of suspected multiple applications had run into thousands and these had been rejected. It seems likely that cheques will be returned direct to applicants rather than being banked first as in some previous flotations.

The basis of allocations will be worked out today. Mr Clementi said it was too early to speculate on the likely distribution but TV-am had indicated that it wanted a degree of preference for applications from smaller shareholders.

TV-am said it wanted to see the figures for the response before commenting, but added that it would be seeking as wide a spread of shareholders as possible.

Wyko edges ahead despite exchange loss

Exchange losses have hit the profits of **Wyko Group, West Midlands-based manufacturer of bearings and power transmission components, in its first full year since joining the USM.**

For the 12 months to April 30 1986 the pre-tax result was just £62,000 ahead at £1.89m after exchange losses of £161,000 compared with profits of £105,000.

Mr Roger Edwards, the chairman, said that a satisfactory rate of growth in turnover had been accomplished, but it slowed in the second half in the light of a quieter market. Turnover, which was a record in all divisions, rose from £23.96m to £29.62m, over the year.

The directors have proposed a final dividend of 1.5p, bringing the total for the year to 2.6p. This will be paid from lower earnings of 6.4p (6.7p) per 10p share.

Howden profits retarded by currency movements

Howden Group's taxable profits advanced by less than 3 per cent in the year to end-April 1986 with adverse currency movements affecting the results.

Without the effect of the stronger pound since the end of the previous financial year. Mr R. C. Meech, the chairman, said that 1985-86's profit of £11.71m would have been 16 per cent higher. Profits in 1984-85 reached £11.37m.

Turnover advanced by almost £60m to £224.13m. Earnings per share were marginally higher at 12.4p (12.2p) and the directors yesterday proposed an increase in the final dividend to 2.95p (2.46p), lifting the total to 3.85p (3.36p).

● comment

Currencies have not been kind to Howden. They robbed the group of a near 20 per cent profits improvement at the pre-tax level leaving the number barely 3 per cent up. The shares shed 2p to 97p on the figures—a moderate enough move by the standards of recent weeks, where the price has bounced from a little over 90p to almost 120p before sagging again, but still a slightly odd reaction. The turnover figure has been inflated by the wind farm project in the second half but no profits have been taken, so the dent in margins can be put down to Howden's traditional conservative approach to profits. The final contribution from that project is almost anybody's guess at this stage but allowing little for that the pre-tax line could push its way to over £12½m in 1986-87 and maybe £13m if currencies do not cause too many problems. Even on a pessimistic line the prospective p/e is well into single figures which looks oddly cheap given that 20 per cent of sales are geared to the defence sector.

Charles Batchelor on the background to the Bestobell bid

Sir Owen deals a strong hand

CONTEMPLATING the failure of his £29m takeover bid for eBestobell in July 1979, Sir Owen Green, chairman of BTR, the diversified conglomerate, said ominously: "I hope they will go ahead and fulfil their promises."

Bestobell did go on to meet its forecast of a 30 per cent profit rise in 1979, but subsequent years have seen the engineering and machine tool distribution group's performance see-saw alarmingly.

Yesterday came the proof that Sir Owen's patience had snapped. BTR swung its 29 per cent shareholding in Bestobell—most of it acquired during the abortive takeover attempt—behind a £89m takeover bid from another specialist engineer, Meggitt.

In return, BTR will acquire a 25 per cent holding in Meggitt and Mr Norman Ireland, BTR's finance director, will join its board.

"That damn company has always been promising," Sir Owen said. "It was always going to happen. But they were still a long way from what a reasonable man would think they were capable of doing. A major change was required."

Change is being proposed by Mr Ken Coates, 53, chief executive of Meggitt and his finance director, Mr Nigel McCorkell, 39.

They joined Meggitt in November 1983 with the aim of returning the company to profit.

Mr Coates began his business career at Ford Motor Company before going on to run a number of private and public companies while Mr McCorkell is a chartered accountant with merchant banking experience.

The two men had already worked together for several years at Flight Refuelling, a supplier of specialist equipment to the aircraft and electronics industries, which they expanded by acquisitions.

At Meggitt they have wrought an even faster transformation. In 1984 Meggitt incurred a loss of £180,000—its best performance for three years—on turnover of £3.8m and the market valued the company at just £800,000.

Yesterday the board forecast it would make a pre-tax profit of £3.9m in the year ending October 1986 on turnover of around £40m. Meggitt's market capitalisation is now about £65m.

Meggitt has embarked on an ambitious acquisition programme designed to take it into higher technology markets in the electronics and energy fields.

Mr Coates' management approach is to concentrate on clearly identified product divisions.

"We believe companies should be product driven," he commented. "In some organisations you can get halfway down the management structure before you get to the people who know the products. The best German and Japanese companies are product driven."

At Meggitt these theories have led to the creation of four main divisions — engineering distribution; aerospace and defence systems and components; equipment for the energy and petrochemical industries; and electronic components and circuitry. A fifth division is being developed in the area of process control and instruments.

The problem at Bestobell, according to Mr Coates and Mr McCorkell, is that the company has installed a divisional structure based on geography.

True, the UK and Continental Europe is split into aviation and engineering on the one hand and controls and instrumentation on the other. But the remaining three divisions are purely geographical, comprising North America, Australia and Southern Africa.

"Take North America," said Mr Coates dismissively. "They have avionics and defence equipment alongside steam traps (which reduce energy use in boilers). You can't get the best out of companies which are not indiscrete product areas."

Mr David Ingman, Bestobell's chairman, clearly believes the required approach is the right one and can be expected to defend his decision in the coming weeks. Sir Owen took the view both approaches were valid, as long as they were implemented by good management.

But Bestobell's problems go back further than the recently installed management structure. In the early 1980s the group ran into major problems on insulation contracts at two power station construction projects in Australia.

These difficulties precipitated a series of boardroom changes and uncertainty which persisted until Mr Ingman, a former ICI executive for 37 years, became chairman last September. In March he added the chief executive's functions to his role and announced an upturn in profits to £5.1m in 1985 from just £471,000 the year before.

Despite this improvement Sir Owen Green, at least, felt the only answer to Bestobell's long term difficulties was a new management approach—aimed at niche businesses rather than volume.

At a time when engineering mergers appear to have fallen from favour in the City—Siebe's £220m bid for APV Holdings and Evered's £160m offer for McKechnie Brothers both failed in recent weeks—BTR's backing could be crucial for the Meggitt bid.

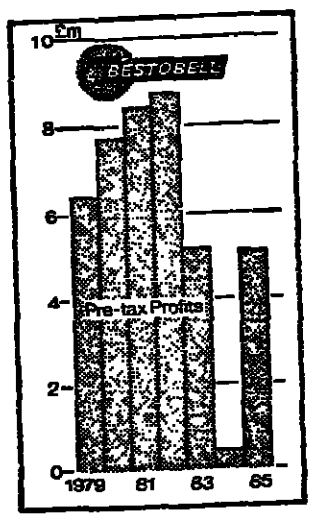
The institutions have begun to play a more high profile role in recent bids, announcing their intentions before a bid closes. But Britannic Assurance, Bestobell's second largest shareholder with a 9.2 per cent stake, said yesterday it was waiting to see the bid documents before taking any decisions.

However welcome BTR's backing is to Meggitt it will leave Sir Owen's acquisitive conglomerate with a sizeable stake in Meggitt which could, in theory, be used to launch a bid of its own.

Sir Owen and the Meggitt team were adamant yesterday that they had firm agreements which would prevent BTR either increasing its stake or disposing of its holding to a large single investor.

"There has to be an element of trust," said Sir Owen. "We would not intend to be a Trojan horse."


Mr Ken Coates, chief executive of Meggitt




Mr Nigel McCorkell, finance director of Meggitt

MEGGITT PROFITS EXCEED £1.3M

THE ENLARGED Meggitt Holdings yesterday reported higher taxable profits of £1.32m for the six months to end-April 1986 compared with a restated £892,000 for the corresponding half of the previous year. The comparative results were prepared on a merger accounting basis following last year's acquisition of the Negretti group.

Meggitt is a holding company with interests in making aviation instruments, electronic components and energy related engineering products.

Turnover advanced from a restated £13.78m to £16.71m and generated a higher operating profit of £1.4m, against £1.07m. Net interest payable totalled £72,000 (£175,000).

Earnings per share were unchanged at 2.2p after accounting for the rights issue last February. An interim dividend of 0.5p (nil) was declared.

Tiphook overcomes birth pangs and surges by 67%

AN ADVANCE of 67 per cent in pre-tax profit, from £1.65m to £2.77m, is reported by Tiphook for the year ended April 30 1986. The company is the largest container rental organisation in the UK.

The group became public a year ago but its offer for sale was plagued by problems. It postponed its entry into the market because of conditions in the new issue market, and then had only 16 per cent taken up. That was attributed partly to the error in the prospectus which gave asset value per share as 90.1p whe nthe correct figure was 62.5p.

In first dealings the shares showed a 4p discount on the offer price of 110p. Yesterday, the shares closed at 335p, down 5p on the day.

Mr Robert Montague, executive chairman said long run economic factors favoured continued growth in both container an dtrailer rental on a worldwide basis.

Turnover advanced 77 per cent to £25.3m. After tax of £380,000 (£169,000), net profit came out to £2.4m (£1.49m) for earnings of 16.2p (12.2p). The final dividend is 2.48p for a total of 3.73p net.

● comment

With the debacle over Tiphook's flotation a distant meory and some bullish talk about the company's prospects, its shares had a strong run-up to the results. The figures may have been better than expected but the dividend was the same as that forecast a year ago, so it was perhaps not surprising to see the price edging back in thin trading. The strongest feature of the results is that the bulk of the profits advance is coming from organic growth rather than acquisitions: Tiphook is thriving in market places which are still a very long way from maturity while at the same time it is claiming market share at the expense of its competitors. From the market's point of view, the worry is that shipping is a highly cyclical business and the quickest thing a shipper can do to reduce costs when demand falls is to cut back on rentals. The contrary view is the when recession hits and trading is uncertain, operators take a short-term view and prefer to rent rather than buy. With profits of £4.8m within reach for the current year, the prospective p/e ratio of 12 suggests that the market has not yet made up its mind which way Tiphook will go, and it may take another year of profits growth like this to make up its mind.

Personal Computers joins USM via share placing

BY RICHARD TOMKINS

Personal Computers today becomes the second microcomputer dealer to join the Unlisted Securities Market in the last week with a placing of 682,667 shares at 120p each through brokers Phillips & Drew. Its value at the placing price will be £6m.

The company sells personal computers and software to business users and has dealership arrangements with leading manufacturers such as IBM, Apple, Compaq, Ashton-Tate and Lotus. It also offers back-up services such as training, field engineering, consultancy, rentals, networks and technical support.

Personal Computers was founded in 1977 by Mr Malcolm Rolfe, now non-executive chairman, and Mr Michael Sterland, now managing director. Mr Rolfe is chief executive of Rolfe & Nolan Computer Services, the USM-quoted commodity trading systems house, and Mr Sterland used to be responsible for sales and marketing at the same company.

Personal Computers' pre-tax profits have risen from £6,000 in 1982 to £710,000 in the year to last May on sales up from £927,000 to £9.2m. The company has avoided the problems which have hit many other microcomputer dealers by staying out of the hobbyist end of the market and emphasising the service side of the business.

Last Friday, Fletcher Dennys Systems, a dealer founded by former ICL employees, came to the market at a value of £4.8m through a placing by Capel-Cure Myers. The two companies share a number of similarities, but Personal Computers says it is particularly orientated towards financial services whereas Fletcher Dennys has a large number of local authority clients.

Personal Computers comes to the market on an historic price/earnings multiple of 12.2 compared with 14.9 for Fletcher Dennys.

Frederick Cooper

Fred Cooper has conditionally agreed to purchase ABT Hardware and Speedcraft Security for an initial combined consideration of 771,576 ordinary shares, valued at some £960,000. The vendors will retain 200,000 of these for at least 12 months; the remainder have been placed in the market to realise £685,000 net.

UK COMPANY NEWS

Northern Foods agrees £19m poultry purchase

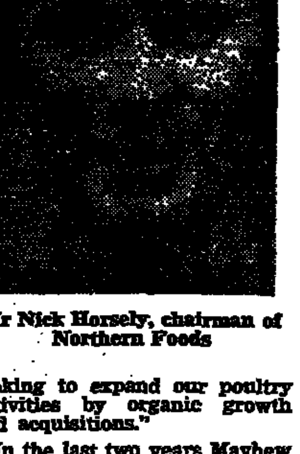
BY LISA WOOD

Northern Foods, the Hull-based foods group, has made an agreed bid worth £18.6m for Mayhew Foods, a Sussex supplier of fresh poultry and poultry products.

Northern Foods, a major supplier of meat, dairy and baked products, currently has a small but expanding poultry business based in Nottingham with a turnover of around £10m a year out of total group meat sales of £245m in the year ended March 31 1986.

The acquisition of Mayhew, which came to the USM in 1985, will take the group's turnover in poultry, one of the few growth areas in the meat business, to £40m a year making Northern an important player in the poultry business. Customers of the expanded business will include Marks and Spencer, a major customer of Northern, Safeway and Trusthouse Forte.

Mr Christopher Haskins, deputy chairman of Northern, said: "The acquisition will give us a source of supply of chickens as Mayhew rears them. We do not. In addition we are looking to expand our poultry activities by organic growth and acquisitions."



Mr Nick Horsely, chairman of Northern Foods

In the last two years Mayhew has invested heavily in new plant. In addition it recently acquired Ready Roasted Chickens, a small South Wales producer of cooked chicken products for the retail and catering trades, and Co-Ordinated Hatcheries, a supplier of day-old chicks, some 70 per cent of which are supplied to Mayhew.

Mayhew made a pre-tax profit of £1.2m in the year to May 31 1985 and its directors estimate that the pre-tax profits for 1986 will not be less.

The consideration for Mayhew will be approximately 137p per Mayhew share to be satisfied by the issue of approximately 137p per Mayhew share to be satisfied by the issue of approximately 6.54m Northern shares. In addition there will be a partial cash alternative in respect of up to 50 per cent of the new Northern shares to be issued.

The directors of Mayhew and the two companies owned by the Mayhew family trusts have given irrevocable acceptances in respect of their own shares. These shares represent 67.3 per cent of the issued fully paid share capital of Mayhew.

Slaters deal lifts Freshbake into frozen food's top four

BY CLARE PEARSON

Freshbake Foods, the frozen foods manufacturer and distributor, yesterday launched an agreed offer worth about £14m for fellow frozen foods specialist, Slaters Food Products.

Freshbake forecast that the combination of the two USM-quoted companies wil create one of the top four frozen food manufacturers in the UK. It hopes to increase production and distribution efficiency through the combined use of the two companies existing facilities.

Directors of Slaters have given acceptances in respect of 4m (55.3 per cent) of the company's shares.

Slaters is best known for its frozen sausages, but it is also involved in the production of frozen cakes and diced steaks. In April it moved into prepared meals with a £2.1m acquisition of Uncle Wong Food Products. Freshbake is known mainly for its frozen uncooked savoury pastries.

Fresbekes group turnover for the year ended March 1986 amounted to £95.7m and group pre-tax profits to £2.5m. Slaters meanwhile turned in pre-tax profits of £1.2m for the year to April and reported £22.3m turnover.

The terms of the offer are two Freshbake shares for each Slater ordinary share, with no cash alternative. On the basis of Freshbake's closing price unchanged yesterday at 94p, the offer values each Slaters ordinary at 188p and its total capital at £13.72m. Full acceptance of the offer would involve the issue of about 14.6m new Freshbake shares, about 34 per cent of its enlarged share capital.

Kleinwort Benson is advising Freshbake while Slaters' adviser is Smith Keen Cutler.

DIVIDENDS ANNOUNCED

	Current Payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Brengreen	†0.75	Oct 3	0.7	1.5	1.4
Graig Shipping	10	Sept 12	7.5	15	12.5
HAT Group	1.9	Oct 2	1.9	3.8	3.7
Howden Group	2.95	—	2.46	3.85	3.36
Intl Leisure	3	—	2.8	5	4.8
Jack L. Israel	†0.5	—	—	0.5	—
F. H. Lloyd	2.75	Aug 27	2.5	3.75	2.5
Markheath	11.93	Oct 1	5.2	2.68¶†	9.75
Meggitt Holdings int	1.05	—	nil	—	0.75
Tiphook	2.48	—	—	3.73	—
Vantage int	0.5	—	0.4	—	1.6
Wyko	§1.5	—	—	2.6	—

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ For 15 months.

Reduced losses for Applied Holographics

Applied Holographics, which produces and markets holographics systems, has reduced its pre-tax loss for the year to end-March 1986 from £1.03m to £670,000 and is extending its activities to be able to offer a full range of holograms.

Turnover for the year jumped from £104,000 to £484,000 generating a more than doubled gross profit of £77,000 against £35,000. After other operating expenses of £957,000 (£1.18m), however, there was an operating loss of £880,000 (£1.14m).

Mr O. C. Boxall, the chairman, stated that the arrangements with Transfer Print Foils (TPF) of the US for the acquisition of the company's 50 per cent interest in TAPFL, and the establishment with Dr David Greenaway, of a company in Switzerland to produce shims, would extend the company's activities into the production of embossed holograms.

The new company, Applied Holographics Embossed, would be 80 per cent owned by the company, and 20 per cent by Dr Greenaway, who will join Applied Holographic's board in October this year.

The chairman stressed it was unlikely that benefits from the developments would arise during the current year, but the board believed the opportunities were considerable and significant benefits would acrue thereafter.

Losses per 5p share for this USM-quoted company fell from 14.4p to 7.2p

US snag may force Tranwood extension

Mr Nick Oppenheim's Tranwood Group has finally declared unconditional its controversial £89m bid for Aitken Hume.

Tranwood revealed last week that it held more than 50 per cent of Aitken. At the same time Mr Oppenheim stressed that acceptance of his offer would not cause termination of fund management contracts held by NSR, a US subsidiary of Aitken.

Yesterday Tranwood was careful to emphasise that the bid was not yet "wholly" unconditional. Referring to the future of the NSR contract the board said: "The company has no intention of jeopardising the value of Aitken Hume by declaring the offer wholly unconditional before, inter alia, the company is satisfied as to the continuation of these contracts."

The increased offer has been extended until 3 pm on August 5. However the Tranwood directors fear that the contract approval will not have been secured by that date and are expected to ask the Takeover Panel for an extension of the usual period for fulfilment of all conditions.

Smith New Court salaries boosted

Smith New Court, the publicly owned securities house, reveals in its latest annual report that 14 directors were paid salaries of more than £115,000 in the year ending April 1986.

In the previous 12 months, excluding pension contributions, 10 directors were paid more than £140,000.

Directors' emoluments, including pension contributions, totalled £5.5m in 1985-86, compared with £2.5m.

Mr Tony Lewis, Smith New Court's chairman, saw his basic salary rise to £213,000 in the past year, up from £177,000 in 1984-85.

Smith New Court, which was formerly Smith Brothers, the stockjobber, increased its 1985-86 profits by £1.38m to a record £6.2m pre-tax.

Pleasurama purchase

Pleasurama has acquired National Holidays, a leading coach holiday operator, from the National Bus Company in a £2.5m cash deal.

National has an annual turnover of £45m and has substantial business in South-East London. Last year, it carried 327,000 passengers, an increase of 18 per cent on 1984. The bulk of its business is in domestic coach holidays, but in recent years it has also developed a wide range of Continental tours.

BOC acquisition

BOC Group, through its Australian subsidiary CIG, has acquired W. A. Flick, the largest pest control company in the Pacific region.

CIG already supplied the pest control industry in Australia. Based on gas technology, CIG "Envirosols" have been patented in many parts of the world for commercial and domestic applications.

Flick has substantial operations in Australia, Fiji, Papua New Guinea, Malaysia, Singapore and Hawaii. It has annual sales of around £15m.

Vaux purchase

Vaux, the Sunderland-based brewer, is to purchase 15 off-licence shops for a total consideration of £625,000. The outlets are in locations complementary to the chain of 147 off-licences currently operated by Vaux under the name of Blayneys.

Payment for the 15 outlets in the Hull area, which previously traded under the name of House of Townsend, will be in the form of new shares and £480,000 cash. Vaux said the new shares had been issued by the vendors at their request and would be held by them as a long term investment.

Monotype deal

Monotype, the printing equipment company which came to the Unlisted Securities Market in May, has bought 75 per cent of GB Techniques, which it says will provide it with text and other entry systems for its new typesetter range additions.

The consideration is 56,771 shares and, subject to performance criteria being met over two years, additional payments up to a maximum of £132,000.

Bees Transport

Bees Transport, the Leicestershire-based secure parcels carrier, has completed a management buy-out from Lex Services.

Lex announced in January it intended to pull out of the transport market.

Newman Industries

Investors in Industry Group (3i) has reduced its holding in Newman Industries to 8.92m ordinary shares (7.06 per cent).

VANTAGE SECURITIES, investment trust, improved net revenue after tax to £29,511 against £22,007 in the six months to June 30 1986, on gross revenue of £56,024 (£43,661). The interim dividend is raised from 0.4p to 0.5p, and the directors expect the final to be not less than last year's 1.2p.

Berkley House attempts to block £6.6m Authority deal

BY LAURIE LUDWICK

Berkley House Group, a privately-owned property development company, announced yesterday it is making a tender offer worth £1.6m in Authority Investments, the property and investment concern, in a bid to block a £6.6m deal between Authority and Management Group, a vehicle created by Mr David Backhouse and two city financiers.

Berkley, which already owns 6.3 per cent of Authority, is offering 500p per share for up to 25.1 per cent of the company. Authority's shares closed at 500p, up 100p on the day.

Management Group is bidding 130p in cash for Authority, which it believes is worth 143p per share, allowing for a proposed one-for-ten scrip issue if shareholders approve its takeover at an EGM on July 30.

Andrew Curtis, a director of Berkley said that the offer by Management Group substantially under-valued the Authority shares, and that Berkley "is prepared to confirm that by our offer of 500p."

The cash offer by Berkley closes on July 25, five days before Authority's EGM, at which Management Group's deal had been expected to be approved.

Irrevocable acceptances for the Management Group deal have been given on behalf of 100 per cent of the non-voting "A" shares of Authority. Management Group wishes to convert these "A" shares into ordinary shares at the EGM, giving it around 75 per cent of the company.

Lord Lever, chairman of Authority, asked shareholders not to act upon the Berkley offer until they had received "the considered opinion of the directors."

The tender offer includes arrangements wherby accepting shareholders might be entitled to receive a top-up payment in cash, in addition to the tender offer under consideration.

The top-up mechanism would compensate shareholders who accept the offer if a revised offer is made by the Management Group and accepted by Berkley, or if Berkley or a third party makes a general offer to acquire the share capital issued by Authority.

Berkley, jointly-owned by brothers Keith and Graham Meehan, was founded in 1977 to develop residential properties in Mayfair and Knightsbridge. Pre-tax profits have grown from £30,000 in Berkley's first year to a current year forecast of £3m on turnover of £30m.

Brengreen suffers from hospital contract losses

Brengreen (Holdings), the international service group, incurred further losses on its hospital cleaning contract at Farnborough during 1985-86 and for the year as a whole saw its profits fall fro m£3.02m to £2.03m pre-tax.

Mr David Evans, the chairman, said yesterday that in the health care division margins relative to the cost of tendering and carrying out the operations were not acceptable and that it had been decided to seek no further hospital contracts.

He also blamed two other aspects for the groups setback: losses from the street cleaning contract at Ealing, and the cleaning division as a whole which, he said, failed to achieve satisfactory margins due mainly to a substantial reduction in work carried out for the Minstry of Defence.

Mr Evans pointed out, however, that these problem areas had been tackled by rationalisation and by termination and that expansion of the core business was planned via the introduction of additional services.

Currently, the cleaning division was showing a significant recovery and he was confident that it would return to its former levels of profitability in 1986-87.

Group turnover for the past year (to March 29 1986) pushed ahead from £54.61m to £56.91m but operating profits declined from £4m to £3.31m.

Earnings fell to 2.09p (3.22p) but in recognition of their confidence in the future the directors are proposing to lift the final dividend to 0.75p (0.7p) for an increased total of 1.5p (1.4p) net.

Interest charges increased to £1.28m (£982,000) but tax was reduced from £98,000 to £573,000. Net profits came through at £1.46m (£2.02m).

● **comment**

Brengreen has come to the same conclusion as several others in the privatisation crusade — National Health cleansing contracts are not worth a candle. With the whole public contract area now certain to go into a holding pattern until after the general election, all hope of volume gains to help spread overhead costs has gone and rationalisation is the name of the game. One form of this — mergers and takeovers — has already started. Hawley has purchased Pritchard and has a 13 per cent stake in Brengreen. However, Pritchard was in more desperate straits than is David Evans' offspring. Nevertheless 1986-87 will see a hard struggle to better £2.5m pre-tax — especially after the loss of the Kuwait hospital and clinic cleaning contract. The shares, up 1½p to 37½p, have been dull performers and there is little in the one year outlook to take them much outside of their recent trading range. Unless, that is, Mr Michael Ashcroft has an insatiable desire for cleaning volumes.

Brierley has 5.5% stake in OTT

Mr Ron Brierley's IEP Securities has reported a 5.5 per cent stake in shipping and freight group Ocean Transport and Trading.

The 6.2m share holding cost the New Zealand financier some £12m and was described yesterday as a "long term investment." In May, OTT concluded a deal with P & O which ended takeover speculation and netted it £79m after £14m was spent on buying up the outstanding portion of Panocean. Last night OTT's shares closed up 1p at 219p.

Also yesterday OTT announced the acquisition of Butler and Anderson — the stevedore company from Boston, Lincolnshire.

● According to Mr Ross Martin of Brierley Investment Limited, Mr Brierley's New Zealand master company, there are plans to list BIL on the London market later this year. BIL has a market capitalisation over £1bn.

New Cavendish

Shares of New Cavendish Estates, the property investment company, were suspended yesterday at 110p. The company requested the suspension after its share price rose 15p to 105p on Monday.

At the suspension price, New Cavendish is valued at £7.63m.

The company reported pre-tax profits of £58,443 on turnover of £369,476 for the half-year ending December 31 1985.

Savoy pays £4.75m for an out of town inn

By Clare Pearson

THE Savoy Hotel group has paid £4.75m in cash for the Lygon Arms, a 62-room fifteenth century inn in Broadway, Worcestershire.

This is the first out-of-town addition to the Savoy's clutch of up-market hotels in London and Paris, which include the Connaught and Claridge's.

The Savoy said yesterday that it had purchased the controlling interest of Lygon's current proprietor and chairman, Mr Douglas Barrington, who will stay on as a director. The Savoy also bought the shares of the Russell family, who have been in control of the Lygon for the last 82 years.

The Savoy's managing director, Mr Giles Shepard, said yesterday the purchase of the Lygon for cash was unconnected with the Savoy's recent £500,000 increase in authorised share capital. None of these new shares has yet been issued.

The Savoy had earlier indicated it was negotiating the purchase of a small British hotel.

Graig Shipping earnings jump

A sharp increase from £1.62m to £2.87m in interest received and investment income boosted operating profits of Graig Shipping from a restated £1.7m to £2.33m for the year ended March 31 1986.

After higher depreciation of £967,000 (£348,000) pre-tax profits were only marginally up from £1.35m to £1.36m but with tax lower at £180,000 (£413,000) and an extraordinary credit this time of £623,000, net attributable earnings almost doubled to £1.8m, against £935,000.

The directors said the result had been accomplished in spite of a depressed freight market and showed that the company had made the right decision to remain liquid and obtain good profits from its cash resources.

The extraordinary credit comprised a £913,000 profit on the sale of 75 per cent of Graig Exploration, less write down of listed oil investments of £290,000.

Earnings per £1 share advanced from 46.75p to 59.1p and there is an increased final dividend of 10p (7.5p) raising the total from 12.5p to 15p net, costing £300,000 (£250,000).

Comparative results were restated to reflect the change in the group's accounting policy in respect of oil exploration expenditure which had been capitalised.

UK COMPANY NEWS

Engineering and foundry sides lift F. H. Lloyd

DESPITE GENERALLY difficult market conditions, F. H. Lloyd Holdings hoisted pre-tax profits by 51 per cent from £1.42m to £2.14m for the year ended March 29 1986. External sales were static at £52.75m, against £52.44m.

The increase reflected an improved performance by the foundry and engineering companies, as well as as disposals in this and the previous year of a number of companies whose contribution to total turnover was not matched by an acceptable profit.

Net earnings per 25p share more than doubled from 3.2p to 6.6p and the year's dividend is 50 per cent higher at 3.75p (2.5p) net with a final of 2.75p.

Foundries operating profits rose from £833,000 to £1.04m on sales of £22.04m (£19.27m), while engineering and services made £1.15m (£649,000) on £16.32m (£15.73m) sales. The steel contribution however, was lower at £478,000 (£589,000) with sales of £14.39m (£17.43m).

The directors said the current year had started quite favourably, though in none of the group's markets was demand buoyant.

They expected further progress this year and in 1987-88 the major benefit from new investment, particularly that in the rolling mill for the Wednesbury steel plant, would come through.

At the operating level, profits increased from £2.07m to £2.67m. Results were struck after normal pension contribution charges, although the main pension scheme is substantially over-funded.

An exceptional item took £359,000 (£59,000), but interest payments were reduced from £593,000 to £169,000. Tax charge was £420,000 (£554,000), minorities accounted for £135,000 (£106,000) and there was also an extraordinary credit of £471,000 (£532,000).

With useful financial resources available, the board continued to search for further areas of profitable investment. Development possibilities for the 90-acre Wednesbury site were being explored in association with a major construction group, and there was prospect of a promising longer term opportunity.

● comment

F H Lloyd has finally shaken free the predatory inclinations of Suter which has been stalking its footsteps for almost 18 months. But David Abell's placing of a 27.7 per cent stake is not necessarily the end of the story. Although Suter undoubtedly tried to interest a potential bidder using its holding as a springboard the final decision to place its stake at 64p with a broad spread of institutions suggests that nobody else is interested. Up to a point that is understandable. Under the leadership of Lewis Robertson the management has achieved much but the group still operates in difficult areas and profits are unlikely to push much over £2½m this year. The shares have performed well in the last few weeks but a historic p/e of 11 after yesterday's 5p rise to 71p, is about as much as can be expected in the short term.

HAT profit depressed by disputes on two contracts

EXCEPTIONAL factors hit the results of the HAT Group in the year ended February 28 1986. This supplier of specialist services and materials improved its turnover from £231.6m to £240.2m but showed a decline in pre-tax profit from £11.48m to £11.1m.

Mr D. M. Telling, the chairman, said that over £1m was provided for disputes on two major contracts, but he believed that following arbitration and legal proceedings, a subsequent gain might be made.

Most significant change took place within the US painting operations, where the overall economy in the areas where operations were dominant had been poor and affected trading performance.

In the UK, however, there had been good performances.

For the current year the outlook remains difficult, the chairman said. Remedial action had been taken in the US and changes to senior management had been made.

In the UK, painting operations, particularly those related to the oil industry in the North Sea, are experiencing very difficult conditions. However, HAT intends to keep a strong presence in the oil industry.

After tax £2.95m (£3.57m) and minorities £8,000 (£10,000), the net profit came to £8.12m (£7.9m) for earnings of 10.6p (10.4p). The dividend is 3.8p (3.7p) net, the final being 1.9p.

Extraordinary debits totalled £8.92m (£3.43m) and included £8.53m loss on disposal of the Houston property. Since the year-end the group received $15m as a further part of the sale proceeds of the property, and this reduced overall gearing to some 60 per cent of shareholders' funds.

● comment

The bad news in the oil sector over the last nine months has been hitting HAT group hard for the last three years. First it was the Houston Folly which led to the difficulties and then more recently it has been panicky oil companies abandoning paint and protection orders — £3m worth of North Sea contracts were cancelled at short notice in the last three months. Not surprisingly David Telling is engaged in a major rethink—the autumn outcome of which wil almost certainly see disposals to reduce debt and a plan for the next five years. In the meantime all is not bleak. The pre-election mini-boom in the UK building industry should keep this side of HAT ticking over and a slice of Canary Wharf will see it do a good deal better than this. In the US a highly incentivised Martin Thom has a lot to do quickly reverse a fal in profits to £1m against the previous year's £3m. One compensation, however, might be a reversing of the payment flow under the Cannon earn-out arangement. As to forecasts, anything between £8½m and £13m finds support among the analysts. But having under performed the market since early 1983 and with the shares, down 13p at 86p at mid-1982 levels, the only way should be up.

Jack Israel tops profit forecast with 42% jump

Jack L. Israel Group, the canned fruit and vegetable importer and distributor, lifted pre-tax profits by 42 per cent from £1m to £1.42m in the year ended March 31 1986 to beat the forecast of not less than £1.3m made last August at the time of its entry to the USM.

The record profits were generated by turnover £1.25m higher at £32.43m. Tax charge was £578,000 (£445,000) and earnings per 4p share came out 43 per cent ahead at 1.29p, against 0.9p. As forecast there is a final dividend of 0.5p net.

Mr John Alexander, the chairman, said that while turnover showed a 4 per cent rise by value, the improvement by volume was 15 per cent. The increased level of activity had been achieved at an improved group gross margin allied to a controlled level of administration costs.

He added that last month's acquisition of Antony Worham, importer and distributor of canned meass, would extend the group's product range and strengthen its overall position in the market.

Choice facing Biddle members

BY LIONEL BARBER

MR STEPHEN COCK, the independent director at Biddle Holdings, the heating and lifts group, has offered advice to shareholders on the two bids made for the company.

Mr Cock is the custodian of shareholders' interests since the Biddle family (who control 54.9 per cent of Biddle) favours a £6.8m offer by Kone, the Finnish lift manufacturer, against a rival £7.4m offer by Myson, the UK heating group.

Mr Cock said in a letter to shareholders that he could not make a recommendation. But shareholders faced a choice between a lower price and lower risk with Kone's increased offer and a "higher price and associated uncertainties" with Myson's increased offer, announced yesterday.

On Friday, shareholders vote on the proposed disposal by Kone of Biddle's heating and air conditioning business to Mr Anthony Biddle, a Biddle director and son of the chairman.

If they back the proposal, Kone is expected to succeed. But if they reject it, then Kone's offer lapses, leaving only the Myson offer which the Biddle family has so far opposed.

Confident Markheath back in profit

By Frank Kane

Markheath Securities, the commercial and residential property developer based in North London, has returned to the black in the 15 months to end-March 1986. Compared with the previous 12-month period, when there was a loss of £2.39m, pre-tax profits for 1985-86 came to £1.44m.

The result is in line with the target set at the time of last year's rights issue, which raised £7.3m. The group's 25p shares rose 6p to 50p on the announcement.

Mr Paul Bobroff, the chairman, said yeterday that the 15 months was a period of consolidation after the very depressed conditions of 1984 Turnover then plunged to £4.81m, but recovered to £16.51m in the period under review. The improvement also reflected the sale of the Stratford development which last time was the source of a £1.65m exceptional charge.

Mr Bobroff was confident of the prospects for the current year, particularly with regard to the possibilities opened up by the impending completion of the M25 motorway. The group has developments close to the motorway's path, and is expected interest from US and other multinational companies.

The dividend for the 15 months totals 2.68p (9.75p for year)—as forecast at the time of the rights—with a final of 1.93p (5.2p). This is covered by earnings per share of 3.68p compared with a 7.8p loss.

Yearlings

THE INTEREST rate for this week's issue of local authority bonds is 9⅛ per cent, up ⅟₁₆ of a percentage point from last week and compares with 11⅛ per cent a year ago. The bonds are issued at par and are redeemable on July 22 1987. A full list of issues will be published in tomorrow's edition.

New chief for GEC company

Mr Keith Ralls has been appointed managing director of GEC TRANSMISSION AND DISTRIBUTION PROJECTS. He was appointed projects director for the power transmission division in 1981 and has been responsible for completing the British converter station of the 2,000 Mw submarine power link between Great Britain and France.

★

Mr Brian Schneider has been appointed a director at REA BROTHERS. He will be head of the bank's corporate finance department, where he has worked for some years. He will be assisted by Mr Trevor Edwards who has been appointed a manager.

★

THE SALEX GROUP has appointed Mr Peter Hobbs as managing director of Sound Attenuators (Industrial). He was director of Sound Research Laboratories, the group's acoustic consultancy company. Mr Doug Sharps is appointed managing director of Sound Research Laboratories.

★

WORLDEX EUROPE, which services Interval International, has appointed Mr Edward Davies as managing director. He was marketing director of British Caledonian Travel Holdings.

★

Mr David S. Tomlinson has joined the board of LONDON AND CONTINENTAL ADVERTISING HOLDINGS as group finance director. He was a senior member of the corporate finance group at Spicer and Pegler Associates.

★

After many years with Lloyds Bank, lately as chief manager—bank relations, Mr Ian Brodie has left to join the London branch of BANCO ESPIRITO SANTO E COMERCIAL DE LISBOA as general manager. He will be sharing the management responsibilities of the branch with Mr Pedro S. de Almeida, who has recently been promoted to general manager.

★

Mr Roger G. Badger has been appointed a director of LONRHO. He joined the group in 1972 and has been group chief accountant since 1978.

★

Mr Bill Allen is joining GREENWELL MONTAGU AND CO stockbrokers, as an assistant director, in the gilt-edged department. He was previously a partner with Pember and Boyle.

★

MR E. PAOLO CONTI, marketing director of Alitalia, has been appointed to the position of traffic director of IATA. This is a position carrying responsibility for the tariff co-ordination, agency, cargo and scheduling services functions. He succeeds Mr Jacques Lemaire, who has retired.

★

Mr Roger Shute has become chairman of BM GROUP in addition to chief executive. Mr Denis Ragg, Sir Kenneth Selby and Mr Brian Beazer have resigned from the board.

★

Mr Peter Michael, deputy chairman, has taken over as chairman of UEI from Mr David Moulds who has retired.

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. t Indicated dividend; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‡‡ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▓ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement. ## Units comprising new ords &-Cnv. Cum. Red. Pref. shares.

FT CROSSWORD PUZZLE No. 6074

DANTE

ACROSS

1 Quantity surplus to requirements (4,4,6)
10 Bustling atmosphere around the street (5)
11 Sprinkles salt over a meat dish (5,4)
12 Glance shows a novice in fault (7)
13 A support thus returned is appropriate (7)
14 One is confused in two ways by the lights (5)
16 Quietly prepares for cold weather? (7,2)
19 Talk of past crimes in Egyptian capital, perhaps (9)
20 Swift portrayal of a brutish lout (5)
22 Workman less industrious after midnight (7)
25 He will run away when the sun comes out (7)
27 I can time railway route (9)
28 Students may decline to learn it (5)
29 Esteem shown for those who are fit? (7,7)

DOWN

2 Distorted explanation of why a player was dropped (3,2,4)
3 Eastern lake found in the West? Strange (5)
4 A Dickens book shattered this dream (4,5)
5 Many a safari includes this African lake (5)
6 In an unaffected way, of course (9)
7 Fully employ—an umbrella for example? (3,2)
8 Supports or delays (5,2)
9 Cultural centre? (6)
15 Emotion impelled men into it (9)
17 There's no set way to win this race (4,5)
18 Catechism arranged according to plan (9)
19 Arch is rough cast on the outside (7)
21 Admitting poet drops opening lines (6)
23 Tina comes up with a new name (5)
24 Prompt about going on day-shift (5)
26 Deck or dock (5)

Solution to Puzzle No. 6,073

PASTICHE SCREED
NOBLESSE CALICO
MOTET NOVELETTE
QUAGGA RATAFIA
MASSEUR PUNKAH
LAPLANDER FUGUE
TOCSIN PENCHANT
ENTREE CULDESAC

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV ... $17.03 ... -0.30

World Wide Growth Management⊕
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd ... $16.21 ... -0.03
Inv. Adv: M & G Inv Mngt., Ltd, London

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech ... $17.98 ... -0.01
Dynamic Gwth Fd ... $19.22 ... -0.20

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund ... $11.80 12.49

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	9.63		-0.10	3-Mth
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	9.59	7.17	10.44	6mth
7-day Fnd	9.55	7.14	10.40	6mth
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE 01-236 1425				
Call Fnd	9.65	7.23	10.34	6-Mth
7-day Fund	9.83	7.35	10.55	6-Mth
Dollar	5.50	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc				
22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Chq Acc	9.25	6.80	9.82	Qtr
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	9.25	6.91	9.99	Qtr
Man Ins. Chq.	9.25	6.91	10.04	Mth
Allied Arab Bank Ltd				
97-101 Cannon St, London, EC4N 5AD 01-283 9111				
High Int. Cheque Acc	10.125	7.57	14.04	Mth
Bank of Scotland				
38 Threadneedle St, EC2P 2EH 01-628 8060				
Money Mkt Cheque Acc	9.45	7.06	10.28	Mth
J. Henry Schroder Wagg & Co Ltd				
Enterprise House, Portsmouth 0705 827733				
Special Acc	9.00	6.73	9.77	Mth
Over £10,000	9.25	6.91	10.04	Mth
Western Trust & Savings Limited				
The Moneycentre, Plymouth PL1 1SE 0752 24141				
High Int Chq Acc	10.18	7.60	11.08	Qtr
Wimbledon & South West Finance Co Ltd				
114 Newgate St, London EC1A 7AE 01-606 9485				
High Int Cheque Acc	11.00	8.23		Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ⊕ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	28	Marks & Spencer	18
BAT	38	Midland Bk	44
BOC Grp	32	NEI	11
BSR	14	Nat West Bk	70
BTR	45	P & O Dfd	45
Babcock	20	Plessey	20
Barclays	45	Polly Peck	16
Beecham	32	Racal Elect	17
Blue Circle	55	RHM	20
Boots	26	Rank Org Ord	40
Bowaters	30	Reed Intnl	75
Brit Aerospace	48	Sears	12
Brit. Telecom	17	TI	42
Brown (J.)	3	Tesco	30
Burton Ord	32	Thorn EMI	35
Cadburys	17	Trust Houses	12
Charter Cons	22	Turner Newall	16
Comm Union	28	Unilever	120
Courtaulds	26	Vickers	40
Distillers	52	Wellcome	19
FNFC	15	**Property**	
Gen Accident	75	Brit Land	16
Gen Electric	17	Land Secs	30
Glaxo	100	MEPC	32
Grand Met	34	Peachey	24
GUS 'A'	75	Samuel Props	18
Guardian	75	**Oils**	
GKN	32	Brit. Oil & Min	$2\frac{1}{2}$
Hanson Tst	16	Brit Petroleum	48
Hawker Sidd	52	Burmah Oil	30
ICI	50	Charterhall	3
'Imps'	28	Premier	$3\frac{1}{2}$
Jaguar	27	Shell	55
Ladbroke	32	Tricentrol	15
Legal & Gen	79	Ultramar	18
Lex Service	38	**Mines**	
Lloyds Bank	55	Cons Gold	40
Lucas Inds	60	Lonrho	25
		Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

AUTHORISED UNIT TRUSTS & INSURANCES

Wardley Unit Trust Managers Ltd (a)
Wardley House, 7 Devonshire Sq, EC2 01-929 1532

American Tst	64.1	69.0xd	-1.8	1.7
Far East & Gn. Tst	99.2	105.6	+0.2	1.0
Intl. Growth Tst	68.0	72.4xd	-0.9	0.8
Income Tst	83.7	90.0	-0.3	5.6
Japan Growth Tst	119.5	128.5	+0.8	0.2
Small Cos. Tst	113.6	122.2	-1.2	2.0
Technlgy Tst	32.8	35.2	-0.4	0.2
Australia Trust	36.7	39.4	-1.2	1.9
UK Trust	128.6	136.6	-1.6	2.7
European Growth Tst	49.4	52.6xd	-0.4	1.2
Hong Kong Tst	21.0	22.9	+0.1	1.6

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	15.4	16.4	...	0.15
Pacific Basin	13.3	14.2	...	0.8
Canadian Balanced Growth	59.8	63.9	...	0.98
Claxie Man	101.4	105.7	...	7.2

WestAvon Unit Trust Managers Ltd(a)(e)
9 Portland Square, Bristol BS2 8SS 0272 428431

British Smllr Co's (z)	57.0	58.6	-0.9	2.00
British Growth (z)	66.2	68.3	-0.7	1.50
British Income (z)	65.2	67.3	-0.3	4.50
British Extra Yield(z)	50.1	51.5xd	-0.7	6.50

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	67.3	68.4	...	0.00
U.S. Govmnt Bond F	50.505	0.508	...	-

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Comdl & Equity Tst	48.3	51.4	-0.6	7.72
Growth Trust	51.6	54.9	...	2.25
Income Trust	53.2	56.7	-0.3	5.17

Wright Seligman Fund Managers Ltd

Cannon Assurance Ltd—Continued

Index	110.9	117.4	-0.9	—
Far East	170.1	180.3	+5.5	—
Global	95.1	100.6	+0.7	—
European	97.7	103.4	+0.4	—
Japan	106.6	112.8	+2.0	—
2nd Series Pension Accumulation				
Equity	489.5	518.0	-6.0	—
High Income	321.9	340.4	-3.5	—
Property	277.6	293.8	...	—
Managed	337.0	356.6	-1.6	—
Deposit	249.7	264.2	...	—
Gilt	251.9	266.6	-4.2	—
American	382.3	404.6	-3.1	—
International Money	267.3	282.9	+4.0	—
Index	121.3	128.4	-1.2	—
Far East	191.2	202.3	+6.5	—
Global	95.2	100.7	+0.7	—
European	98.6	104.3	+0.6	—
Japan	109.7	116.1	+2.4	—
Other Funds				
Equity Units		66.48	...	—
Property Units		21.09		—
Equity Bond/Exec	41.54	43.96	-0.47	—
Property Bond/Exec	28.42	30.10		—
Balanced Bond/Exec	33.32	35.28	-0.15	—
L&E SIF 1	109.5	115.5	-0.5	—
L&E SIF 2	71.5	75.3	-0.5	—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	105.0	109.0	...	—
Risk & Reward Bond	115.0	122.0	...	—
Murray Johnstone Fd	117.0	120.0	...	—
Money Market Fd	100.0	106.0	...	—
Ivory & Sime Pens Fd	99.0	105.0	...	—
Risk & Reward Pens Fd	97.5	103.0	...	—
Murray Jstone Pens Fd	115.0	121.0	...	—
Money Market Pens Fd	100.0	106.0	...	—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent Milton Keynes MK9 2LA Tel: 0908 606101/660888

Current Series

INSURANCES

[illegible]

COMMODITIES AND AGRICULTURE

LME trader sues ITC members

BY ANDREW GOWERS

J. H. RAYNER (Mincing Lane), *a subsidiary of the commodity* trading and processing group S. and W. Berisford, has started legal action against all the individual member governments of the International Tin Council *in a bid to recover £16m which* it lost as a result of the tin crisis.

This is the first time that a metal trader has sued the member governments as opposed to the council itself. It represents a further strand in the tangle of lawsuits arising from the ITC's £900m default last October.

Mr Paul Channon, the British Trade and Industry Secretary, disclosed before a parliamentary select committee yesterday that a writ had been issued against the British Government and he other members of the tin council last week. He also reiterated the Government's determination to contest any lawsuits relating to the council's debts, which arise from the collapse of its price support operations in the tin market.

"The Government does not accept any liability and it is prepared to defend itself in the courts," he said.

Officials said the writ aims to enforce an arbitration award of £15.2m against the council which Rayner won nearly two months ago, and it is understood to name the 23 individual ITC member states (counting Belgium and Luxembourg separately), as well as the EEC collectively.

The ITC member governments have been named in a writ stemming from the tin crisis once before. On that occasion the plaintiff was Standard Chartered Bank, but it dropped its case when it obtained about £10m under an out-of-court settlement with the council.

A co-ordinating group of 11 London Metal Exchange broking companies which hard contracts with the council—known as Tinco Realisations—is also considering suing the individual member governments. The group's legal advisers believe that ITC members are jointly and severally responsible for the tin council's debts.

During his appearance yesterday before the Commons trade and industry committee in London, Mr Channon stonewalled as he came under repeated attack from MPs over the Government's refusal to provide them with information they requested in their investigation of the tin crisis.

Although he promised to consider providing them with more information on a confidential basis, committee members were clearly not satisfied.

They said they would have to summon Mr Robin Leigh-Pemberton, the Governor of Bank of England, to give evidence about warnings his officials are alleged to have issued to the London Metal Exchange over strains on ITC finances.

Mr Channon also said he could not guarantee a decision on a request from Rio Tinto-Zinc for aid for its three troubled Cornish tin mines before Parliament's summer recess, starting on July 25. RTZ has said that the mines will have to close on August 1 if no government aid is forthcoming.

Unions reject Broken Hill settlement

UNION LEADERS at Australia's Broken Hill mines have rejected a company response to their proposal aimed at ending the dispute which has closed the silver-lead-zinc mines for seven weeks, reports Reuter from Sydney.

President of the Broken Hill Unions' umbrella group, the Barrier Industrial Council (BIC), Mr Bill O'Neill said the company appeared to be trying to edge-in New York conditions in their reply to a union compromise aimed at ending the dispute.

Mr O'Neil said the unions had been close to accepting the companies' repsonse but wanted clarification of its wording.

The unions and the company are expected to meet before the New South Wales state industrial commission tomorrow to work out the wording of an agreement which will allow a return to work at the mines.

The dispute over proposals to change work conditions had been simmering for several months before it closed the mines on May 26 when the underground workforce refused to sign an interim award brought down by the industrial commission.

Mr O'Neil said the BIC is worried that the companies are trying to incorporate too many provisions of the now-abandoned interim award in the agreement for a return to work. Broken Hill Mine Managers' Association president Mr Bryan Drew said he was amazed the union executive had a complaint with the company

WEEKLY METALS

All prices as supplied by Metal Bulletin

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,380-2,425.

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse, 2.22-2.38.

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots, 0.92-0.97, sticks, 0.93-0.98

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 4.30-4.75.

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse, 190-205.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.00-3.05.

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 3.80-4.10.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit WO_3, cif, 44-53.

VANADIUM: European free market, min 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif, 2.50-2.55.

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 17.00

Ireland vetoes NZ butter deal

BY TIM DICKSON IN BRUSSELS

IRELAND YESTERDAY surprised the EEC by vetoing important European Commission proposals for the importation of New Zealand butter.

Thanks to the lone dissenting voice of Ireland's Agriculture Minister Mr Austin Deasy, EEC Farm Ministers meeting in Brussels yesterday could not agree a plan to limit New Zealand butter quotas to 77,000 tonnes next year and 75,000 tonnes in 1988.

The failure to reach an accord is a major diplomatic embarrassment for France, which promised as part of last week's deal clinching the release of its secret agents convicted in the RainbowWarrior affair, to drop its long standing opposition to exports of New Zealand lamb and butter.

The Irish, however, have long complained about the New Zealand butter quota system, which was introduced when Britain first joined the European Community in 1973 and were widely expected to voice their concern at yesterday's meeting. Britain is a major export market for Irish butter.

Although a reduction by comparison with the quotas of previous years, the proposed New Zealand levels do not meet the 3 per cent cut demanded by Mr Deasy in line with the reduction in the EEC's own milk quotas.

The topic dominated much of yesterday's discussion as the Commission and Mr Michael Jopling, the British president of the Council of Farm Ministers, tried to find a compromise. A clearly disappointed Mr Jopling said afterwards he thought it was "a pity" that the issue, which will now be referred to next week's meeting of Foreign Affairs Ministers, had not been resolved.

All member states, however, were able to agree a joint statement calling for "better order and more remunerative price on world markets for dairy products." They were also heartened by assurances received from New Zealand that their authorities were "seriously concerned" about surplus milk production.

Price discord at cocoa pact talks

BY WILLIAM DULLFORCE IN GENEVA

NEGOTIATIONS on a new international cocoa agreement are likely to reach a make-or-break stage today. The producing countries have rejected the improved price and price adjustment package tabled by the consumers on Monday and the consumers yesterday had difficulty in agreeing on their next move.

The focus of the talks is still the reference price to be adopted in the new agreement and the semi-automatic price adjustment mechanism which the consumers insist must be linked to it.

The producers refused to accept the reference price of 102 cents a pound offered by the consumers on Monday and did not change their own claim for 107.5 cents.

They also asked for the maximum allowable price revision when buffer stock sales or purchases exceed 75,000 tonnes during a six-month period to be fixed at 5 cents instead of the 7.5 cents called for by the consumers

The European Community countries, which together are the largest cocoa consumer, decided yesterday to raise their reference price offer to 103 cents but then found difficulty in getting that position approved in the full consuming country group.

The Soviet Union proposed that the consumers offer 105 cents and was backed by the Swiss.

The EEC countries met again yesterday evening and the consuming country group will resume its discussion this morning. The West Germans have been particularly emphatic that the reference price offer should stay at 103 cents.

Guyana's 1985 sugar loss put at $18.25m

By Canute James, recently in Georgetown, Guyana

GUYANA'S STATE-RUN sugar industry recorded an operating loss equivalent to $18.25m last year, and will lose another $8.25m this year, according to Mr Harold Davis, chairman of the Guyana Sugar Corporation. But he hopes the industry will break even in 1987.

Mr Davis said that despite the losses, which peaked at $24.2m in 1984, the sugar industry's foreign exchange earnings grew from $65.4m in 1984 to $69m last year. The expectations for breaking even next year are based on a rationalisation of the industry to produce 250,000 tonnes per year to meet domestic demand and the country's quotas to the European Community and the US.

Output last year was 243,000 tonnes, Mr Davis reported, and the target of 260,000 tonnes this year is within reach, following output of 124,470 tonnes in the first of the industry's two crops.

"We are closing two of the 10 factories—one this year and the other next year," Mr Davis said, outlining plans for the streamlining of the industry. "We are also reducing the land under canes from 120,000 acres to 95,000 acres.

"We are at the same time working to improve the efficiency of the eight mills we will be operating, and we are hoping to get a loan from the Inter-American Development Bank."

Mr Davis said the Sugar Corporation was diversifying its operations, and although maintaining sugar as its major product, would be involved in other forms of agro-industry. The corporation plans to farm 6,000 acres of rice per year, which will make it the single largest rice producer in Guyana.

Comex expects to begin trade timing in January

COMEX, the New York commodity exchange, expects mid-January, 1987, to see the implementation of its audit trail plan, under which all trades will be recorded within a minute of execution, reports Reuter from New York.

The exchange's proposals were submitted two weeks ago to the Commodity Futures Trading Commission (CFTC), the US futures industry watchdog. Mr Alan Brody, the Comex president, said yesterday there had been no official response from the Commission but he added: "my understanding is that the CFTC's initial reaction is favourable." The Comex proposal met or exceeded the CFTC's guidelines, he claimed.

Launching the "real time trade recordation system, as it is officially known, will cost the exchange between $250,000 and $300,000 in capital expenditure and staff time. Comex has estimated. It is also expected to increase the data entry workload by 8 per cent.

At present traders record their transactions on their trading cards chronologically within 30 minute periods, but when the new system comes into force they will have to record the exact minute of each trade. Mr Brody said this was the only change from the exchange's current recording requirements.

While the proposed system conformed to the CFTC regulations it was designed to have the least possible impact on order flow, Mr Body said.

Australian farmers to fight 'abuses of power'

BY PATRICIA NEWBY IN MELBOURNE

AUSTRALIA'S increasingly militant farmers have reached the A$10m (£4.3m) target for their so-called "fighting fund." established earlier this year by the National Farmers Federation (NFF).

Over the past two weeks 15,000 volunteers have been door-knocking on farms and rural businesses around the country *seeking donations*. Interestingly, about 40 per cent of the money raised came from city businesses which recognise the possible spin-offs for all business from what the farmers *are trying to do*.

The fund was launched to give the already very sophisticated NFF some real economic clout. According to Mr Rick Fareey, the NFF's deputy director, *"agricultural issues are public issues. They are* economic issues. But you need money behind you if you are going to make any impression."

The A$10m will be invested and the interest used to fight "abuses of power by unions, government or business" including so-called anti-business taxes.

Already the NFF has advised farmers not to pay the recently-introduced and controversial fringe benefits tax. The NFF seems prepared to use the fighting fund to back a court challenge to the tax which makes employers liable for a tax on benefits they provide for employees such as subsidised housing, cars, and entertainment.

CONTINUING DRY weather in parts of the wheat belt has led the Australian Bureau of Agricultural Economics to revise downwards by 800,000 Australia's expected 1986-87 wheat crop.

With virtually the whole crop sown, the BAE is predicting a 14.7m tonnes harvest. Even this depends on good spring rains in northern New South Wales and southern Queensland.

Prospects for barley have also declined since the BAE's June forecasts. Continuing dry weather in southern Queensland and northern NSW combined with poor world prices have led to a drop in acreage planted to barley. The BAE predicts a crop of 3.6m tonnes—down 450,000 tonnes on its June estimate.

Faced with deteriorating world prices for most agricultural commodities, the NFF has turned its considerable lobbying skills to trying to reduce costs at home.

This means taking on the unions over centralised wage-fixing which results in across-the-board wage increases for the whole workforce regardless of an industry's capacity to pay.

Because it is so decentralised and uses many self-employed workers, farming is seen as less vulnerable to union retaliation so city businesses are happy to contribute to the farmers challenge to union power.

The farmers will also challenge the federal and state governments over policy decisions that affect their costs such as taxation, tariffs and freight rates.

There are around 174,000 farms in Australia, employing some 376,000 people or six per cent of the workforce. About 1m of Australia's 7m workers are indirectly dependent on rural industry.

The rural sector contributes about 6 per cent of Australia's gross domestic product and around 35 per cent of export income.

The Bureau of Agricultural Economics (BAE) has predicted that farm incomes will fall this year by 18 per cent following a 31 per cent fall last year. About a third of Australia's farmers are likely to lose money this year.

The Federal Government, faced with an A$14bn trade deficit for the year to June 30, is generally sympathetic about the farmers plight and has made several concessions to *enable farmers to stay on the land*.

But the increasing stridency of the farm lobby recently caused Mr John Kerin, the primary industry minister, *to warn against what he called "farm fundamentalism."*

Mr Kerin, himself a former poultry farmer driven from the land by economic considerations, said there was nothing *intrinsically better about earning* a living from the land than from any other source.

Nevertheless, the feeling that a farmer has the right to stay on his land is the motivation that is welding the farmers into such a powerful political and economic force.

LONDON MARKETS

CONCERN ABOUT lack of rain in Brazilian growing areas kept coffee prices on the boil in the London futures market yesterday—but prices finished well below the day's highs because speculators were disappointed by a local trade forecast of the 1986-87 crop. The September position climbed to £1,945 a tonne at one stage, nearly £350 up from the nine-month low reached at the beginning of last week because continuing mild weather in the Brazilian coffee belt was frustrating bullish speculators' hopes of a damaging frost. The subsequent upsurge has been largely due to weather reports warning that a drought may be building up after two months with very little rainfall. But yesterday signs that last year's four-month drought may not have caused quite as much damage as London traders had thought reversed the upward trend. The local trade report put the crop at 12m bags (60 kilos each), about 16m bags below the level expected before the 1985 drought. But this figure was higher than the 10-11m bags London traders had been expecting and the September position was trimmed back to end the day only £35.50 up on balance at £1,909 a tonne.

LME prices supplied by Amalgamated Metal Trading.

INDICES

REUTERS

July 15	July 14	M'th ago	Year ago
1419.8	1414.0	1635.9	1696.6

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	July 15	July 14	Month ago	Year ago
Spot	124.79	124.57	—	116.97
Fut.	112.54	111.58	—	117.17

(Base: December 31 1931 = 100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	July 15 1986	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1190/210	-10	$1265/295
Copper			
Cash Grade A	£884.5	-2.5	£945
3 mths	£904.25	-2.5	£949.25
Gold Troy oz	$346.75	+1.25	$336.75
Lead Cash	£248.25	-1.25	£268.75
3 mths	£254.25	+1	£287.75
Nickel			
Free Mkt	177/197c	+2	187/207c
Palladium oz	$112	+1.5	$110.00
Platinum oz	$433.50	+1.75	$431.00
Quicksilver	$190/200		$210/220
Silver troy oz	336.55p	-2.60	336.20p
3 months	344.60p	-2.75	344.10p
Tin			
Free mkt	£5620.640		£5810/64
Tungsten	$54.48		$59.13
Wolfram 22.04lb	$42/50		$42/50
Zinc	£543.5	-6.5	£543.25
3 months	£540.5	-3.5	£547.5
Producers	$840		$540
OILS			
Coconut (Phil)	$345w		$265
Palm Malayan	$255x		$247.5
SEEDS			
Copra Phil	$145y	-18	$160
Soyabean (U.S.)	$157.5y	+1	$158
GRAINS			
Barley Fut. Nov.	£102.60	+0.35	£97.35
Maize	£135	+0.50	£134.50
Wheat Fut. Nov.	£103.80		£98.70
No. 2 Hard Wint.			
OTHERS			
Cocoa Ft. Sept	£1384.5	+5	£1294.5
Coffee Ft. Sept	£1909	+35.5	£1819.5
Cotton A Index	37.70c	-0.1	41.15c
Gas Oil Sept.	$98	+7.25	$119.75
Rubber (kilo)	58.25p		57p
Sugar (raw)	$130y	+3	$149
Wooltops 64s	402p kilo		415pkilo

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	736-7	-13.75	735/754
3 months	753-4	-11.25	761/750

Official closing (am): Cash 734.5-5.5 (749-50), three months 750.5-1 (765-6), settlement 735.5 (750). Final Kerb close: 756-7.

Turnover: 25,350 tonnes.

COPPER

Official closing (am): Cash 883-3.5 (899-9.5), three months 902-3 (912.5-3), settlement 883.5 (899.5). Final Kerb close: 904-5.

STANDARD

Official closing (am): Cash 840-2 (859-60), three months 864-6 (883-5), settlement 842 (860). US producer prices 63-67 cents per pound.

Total turnover: 31,000 tonnes.

Grade A	Unofficial close	+ or —	High/low
Cash	884-5	-2.5	883/882
3 months	904-4.5	-2.5	908.5/898.5
Standard			
Cash	843-5	-9	842/841
3 months	868-72	-1.5	

LEAD

Official closing (am): Cash 249-9.25 (250-50.5), three months 253-5.5 (253.5-4.5), settlement 249.25 (250.5). Final Kerb close: 255-6.

Turnover: 8,400 tonnes. US Spot: 21-24 cents per pound.

	Unofficial close (p.m.) £ per tonne	+ or —	H'gh/low
Cash	248-8.5	-1.25	249.25/248.5
3 months	254-4.5	+1	256/254

NICKEL

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	2630-4	+4.5	2610/2605
3 months	2675-9	+9.5	2685/2658

Official closing (am): Cash 2605-15 (2605-10), three months 2655-7 (2646-50), *settlement* 2615 (2610). Final Kerb close: 2679-80.

Turnover: 942 tonnes.

TIN

KUALA LUMPUR TIN MARKET: Close 14.19 (14.26) ringgit per kg. Down 0.07 ringgit per kg.

ZINC

High grade	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	542-3	-6.5	549
3 months	540-1	-3.5	549/538.5

Official closing (am): Cash 549-9.5 (551-3), three months 546-7 (545-6), *settlement* 549.5 (553). Final Kerb close: 543-5.

Turnover: 11,850 tonnes. US Prime Western: 41.50-44.75 cents per pound.

GOLD

Gold rose $1¼ an ounce from Monday's close in the London bullion market yesterday to finish at $346½-347. The metal opened at $345½-346 and traded between a high of $346¾-347¼ and a low of $345½-346, touched at the opening. Trading was generally quiet and featureless with a weaker dollar providing some underlying support.

GOLD BULLION (fine ounce) July 15

Close	$346½-347	(£231¼-231¾)
Opening	$345½-346	(£232¼-232¾)
M'n'g fix	$346.65	(£231.725)
Aft'n'n fix	$346.00	(£231.981)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$344-346	(£230¼-231½)
½ Krug.	$57½-38¼	(£35-25½)
¼ Krug.	$92¼-93½	(£62-62½)
1/10 Krug.	$37½-38½	(£25 25¾)
Mapleleaf	$355½-358½	(£238-240)
Angel	$353-356	(£236¼-238¼)
1/10 Angel	$35¾-38¾	(£24-26)
New Sov.	$81-84	(£54¼-56¼)
Old Sov.	$86¾-88¼	(£58 59)
$20 Eagle	$410-460	(£274½-308)
NoblePlat	$448-455	(£299¾-303¼)

SILVER

Silver was xed 2.6p an ounce lower for spot delivery in the London bullion market yesterday at 336.55p. US cent equivalents of the fixing levels were: spot 503.0c, down 0.65c; three-month 510.8c, down 0.75c; six-month 518.7c, down 0.9c; and 12-month 535 2c, down 0.75c. The metal opened at 337-338½p (501-503c) and closed at 337-338½p (505-507c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	336.55p	-2.60	337.5p	-0.5
3 months	344.60p	-2.75	346.5p	-0.5
6 months	352.85p	-2.80	—	—
12 months	368.95p	-3.80	—	—

LME—Turnover: 21 (0) lots of 10,000 oz.

Three months high 349p, low 342.2p, final kerb 346.8p.

JUTE

JUTE—July/August c and f Dundee BTC $360, BWC $360, BTD $320, BWD $320; c and f Antwerp BTC $340, BWC $340, BWD $310, BTD $310.

MEAT

	LIVE CATTLE Yday's close	+ or —	LIVE PIGS Yday's close	+ or —
Aug	98.00	-1.00	98.50	+0.50
Sept	99.00	+0.50	—	—
Oct	—	—	103.50	—
Nov	99.50	-0.50	104.50	—
Jan	99.00	-0.50	100.00	-8.00
Feb	100.00	+0.50	99.50	—

Cattle sales: 10 (0) lots of 5,000 kg. Pig sales: 10 (0) lots of 3,250 kg.

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 91.50p per kg lw (-0.34). GB—Sheep 177.11p per kg est dcw (+8.48). GB—Pigs 73.42p per kg lw (+0.63).

COCOA

Prices rose in the morning on weaker sterling and optimism over news from Geneva talks with chartist buying helping the rally. But after meeting resistance at £1,400 basis September, the market fell back on a decline in New York and steadier sterling.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
July	1352 1360	+5	1373-1360
Sept.	1384-1386	+5	1405-1380
Dec.	1429-1431	+10.5	1448-1424
March	1462-1464	+9.5	1474-1455
May	1478-1482	+10	1440-1475
July	1495-1501	+8	1507-1489
Sept.	1508-1509	+4	1525-1505

Sales: 4,409 (2,772) lots of 10 tonnes.

ICCO indicator prices (US cents per pound). Daily price for July 15: 91.75 (90.27); five-day average for July 16: 90.00 (89.48).

COFFEE

Further speculative short-covering was evident in the morning as levels rose by up to £72, reports Drexel Burnham Lambert. Scale-up trade selling against physical purchases exhausted the buying by early afternoon and levels quickly eased. Physical demand, which had oincreased over the previous two business days, quietened as industry declined to follow the market's advance.

COFFEE	Yesterday Close	+ or —	Business Done
July	1888-1895	+52.5	1920 1886
Sept.	1908 1910	+35.5	1946-1892
Nov.	1946-1950	+48.5	1978-1920
Jan	1990 1995	+62.5	2002-1960
Mar.	1990 2000	+37.5	2035-1988
May	2010-2020	+40.0	2080-2040
July	2030 2060	+36.0	2058 —

Sales: 8,425 (6,352) lots of 5 tonnes.

ICO indicator prices (US cents per pound) for July 14: Comp daily 1979 149.05 (143.78); 15-day average 142.20 (142.63).

SOYABEAN MEAL

Initial weakness was taken up by good commercial buying and prices thereafter rallied. A firm Chicago market caused further strength on the back of drought fears, reports Muirpace.

	Y'ster d'ys close £ per tonne	+ or —	Business Done
August	125.0-125.5	+1.75	124.8
October	124.8-125.5	+0.25	124.8
Dec.	124.8-125.5	+0.55	125.0-123.8
Feb.	127.0-128.5	+2.75	—
Apr.	127.5-129.5	+2.25	—
June	125.5-127.5	+1.25	—
August	125.1-128.5	+0.45	—

Sales: 152 (315) lots of 20 tonnes.

GRAINS

New crop wheat found short-term profit-taking against shipper support while new crop barley retained early steadiness to closce on the highs, reflecting keen export trade, reports T. G. Roddick.

Mnth	WHEAT Yesterday's close	+ or —	BARLEY Yest'rdy's close	+ or —
Sept.	99.75	-0.06	99.15	+0.50
Nov.	102.80	—	102.60	+0.35
Jan	105.90	—	105.75	+0.35
Mar.	108.45	-0.05	108.15	+0.55
May	110.60	-0.18	109.60	+0.28

LONDON GRAINS—Wheat: US dark northern spring no 1 15 per cent Aug 95.50, Sept 95.00, Oct 96.50 sellers transshipment east coast. US no 2 soft red winter Aug 91.75, Sept 92.75, Oct 94.25. EEC second-half July 117.50. English feed fob Sept 101.25/102.00, Oct 103 50/104.25, Oct/Dec 106.00/107.00 buyer/sellers. Jan/Mar 111.00 buyer. Maize: US no 3 yellow/French transshipment east coast July 135.00. Barley: English feed fob Aug 99.25/99.75, Sept 101.00/102.00, Oct/Dec 106.00/106.75, Jan/Mar 111.00/111.75 buyer/sellers.

Business done—Wheat: Sept 99.80-9.70, Nov 102.80-2.70, Jan 105.90-5.80, March 108.50-8.45, May untraded. Sales: 108 lots of 100 tonnes. Barley: Sept 99.15-8.85, Nov 102 60-2.35, Jan 105.75-5.70, March 108.15-7.80, May untraded. Sales: 97 lots of 100 tonnes.

HGCA — Locational ex-farm spot prices: Feed barley: S. East 94.20, W. Mids 93 00. The UK monetary co-*efficient for the week beginning July* 21 (based on HGCA calculations using five days' exchange *rates*) is expected to change to 1.111.

POTATOES

After a nervous morning, with April trading erratically between £2 00 up *and* £2.00 down, the market *resumed* the recent bear trend, albeit in low volume, to close on a weak note, reports Coley and Harper.

Month	Yesterdays close	Previous close	Business done
	£ per tonne		
Nov	113.50	116.50	117.00-113.00
Feb	123.50	125.50	—
Apr	166.50	169.00	171.00-166.00
May	177.00	178.50	—
Nov	81.30	77.50	—

Sales: 1,091 (1,428) lots of 40 tonnes.

Earlies—July 84.00, -2.50; Aug 82.50, -2.50; Sept 82.50, -1.30. Sales: 0 lots of 10 tonnes.

OIL

CRUDE OIL—FOB ($ per barrel)—August	Latest	Change + or —
Arab Light	—	—
Arab Heavy	—	—
Dubai	6.20-6.80	-0.55
Brent Blend	9.45-9.65	+1.00
W.T.I. (1pm est)	11.90-12.00	+1.20
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	128-134	-1.5
Gas Oil	86-89	+2.5
Heavy fuel oil	47-49	—
Naphtha	84-88	+1.5

Petroleum Argus estimates.

Turnover: 3,904 (1,340) lots of 100 tonnes.

GAS OIL FUTURES

Month	Ystrday's Close US $ per tonne	+ or —	Business Done
Aug	93.50	+6.50	98.50-87.50
Sep.	98.00	+7.25	99.00-91.50
Oct	101.00	+6.50	101.00-95.50
Nov.	103.50	+5.75	103.50-99.00
Dec.	107.00	+7.50	107.00-98.00
Jan	107.00	+5.00	107.00-03.50

RUBBER

PHYSICALS — The London market opened about unchanged, drifted lower throughout the day and closed quiet and slightly easier, reports Lewis and Peat. Closing prices (buyers): Spot 58 25p (same): Aug 57.25p (same); Sept 57.25p (*same*). The *Kuala Lumpur* fob price (Malaysian cents per kg): RSS No. 1 212.0 (same) and SMR 20 189.0 (188.0).

US MARKETS

COFFEE FUTURES gave up early gains after technical buying dried up and profits were taken, reports Heinold. Prices reached the extended limit of 6c in the backmonth on the opening and the limitless spot September rallied to nearly 5.5c higher after another sharp rise in London in the morning. But as values neared 188c per pound and producer selling was triggered, profit-taking halted the rally and brought prices lower to close still marginally up on the day. After a dull *and disappointing trading* session in London, New York Cocoa prices moved up slightly after the news from the Geneva talks of a proposal by the USSR and *Switzerland of 105c per pound* as a support price for the ICCO. Most of the gains were due to light buying and some short-covering in view of the positive tone of the conference. Chicago soyabeans closed near the highs. The continued dry weather, which is reported to move into the US growing regions, prompted commission house buying in the absence of any good selling interest and only some producer selling was noted on any rally. The lamk of product on the physical market and relatively few delivery notices on the J uly contract underpinned the move.

NEW YORK

ALUMINIUM 40,000 lbs. cents/lb

	Close	High	Low	Prev
July	50.50	50.30	50.30	50.50
Aug	50.65	—	—	50.65
Sept	50.90	50.95	50.50	50.90
Dec	51.40	51.40	51.05	51.35
Jan	51.50	—	—	51.45
March	51.90	51.55	51.55	51.85
May	52.20	—	—	52.15
July	52.45	—	—	52.40
Sept	52.65	—	—	52.60
Dec	52.85	—	—	52.80

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
July	1863	—	—	1842
Sept	1900	1914	1883	1879
Dec	1950	1965	1933	1931
March	1993	2004	1980	1972
May	2012	2024	2020	1991
July	2041	2040	2040	2020
Sept	2070	2075	2065	2045
Dec	2103	—	—	2080

COFFEE "C" 37,500 lbs, cents/lbs

	Close	High	Low	Prev
July	180.88	185.00	180.00	179.38
Sept	182.73	187.20	179.50	181.88
Dec	184.24	184.24	183.00	178.24
March	187.45	187.45	186.00	181.45
May	189.73	189.73	189.50	183.73
July	191.75	191.75	191.00	185.75
Sept	193.38	193.38	193.35	187.38
Dec	194.25	—	—	188.25

COTTON 50,000 lbs, cents/lbs

	Close	High	Low	Prev
Oct	30.35	30.70	30.02	30.07
Dec	30.78	31.15	30.40	30.50
March	31.62	31.90	31.35	31.34
May	32.25	32.40	32.09	32.12
July	33.15	33.25	32.85	32.90
Oct	34.23	34.40	34.40	34.18
Dec	35.15	35.40	35.15	35.02

COPPER 25,000 lbs, cents/lbs

	Close	High	Low	Prev
July	59.20	59.30	59.30	58.40
Aug	59.25	—	—	58.45
Sept	59.60	59.70	58.90	58.80
Dec	60.15	60.15	59.50	59.40
Jan	60.35	—	—	59.55
March	60.70	60.80	60.05	59.90
May	61.05	—	—	60.25
July	61.40	61.15	61.15	60.55
Sept	61.70	—	—	60.85
Dec	62.15	—	—	61.30

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	High	Low	Prev
Aug	12.05	12.45	11.10	11.04
Sept	11.28	11.61	10.58	10.61
Oct	11.20	11.58	10.83	10.58
Nov	11.33	11.71	10.83	10.71
Dec	1.150	11.84	10.90	10.84
Jan	11.63	11.80	11.05	10.86
Feb	11.70	11.88	11.00	10.88
March	11.70	11.90	11.10	10.90
April	11.70	11.15	11.15	10.92
May	11.80	11.94	11.30	10.94

GOLD 10 0troy oz, $/troy oz

	Close	High	Low	Prev
July	348.0	—	—	345.3
Aug	349.1	360.5	348.9	346.4
Sept	350.8	—	—	346.9
Oct	352.1	353.5	350.0	349.4
Dec	355.3	356.6	353.0	352.6
Feb	358.5	359.9	357.0	355.9
April	361.6	—	—	359.1
June	364.8	—	—	362.4
Aug	369.3	368.7	368.7	365.9
Oct	371.8	—	—	369.4
Dec	375.5	373.5	373.0	373.2
Feb	379.4	—	—	377.2
April	383.4	383.0	383.0	381.3

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	High	Low	Prev
Aug	32.90	33.66	31.45	31 06
Sept	33.50	33.71	31.90	31.71
Oct	34.40	34.08	33 00	32.63
Nov	35.30	35.65	34 00	33.53
Dec	36.07	36 39	34.70	34.30
Jan	36.85	37.00	35.40	35 00
Feb	37.45	37.50	35.80	35.60
March	34.85	34.85	33 50	33.25
April	33.90	33.90	32.65	31.90
May	32.00	32.00	32.00	30.65

ORANGE JUICE 15,000 lbs, cents/lbs

	Close	High	Low	Prev
July	99.75	—	99.00	99.65
Sept	99.10	99.50	98.70	99.50
Nov	100.25	100.50	99.50	100.50
Jan	101.25	101 50	100 75	101.20
March	102.50	102 50	102.00	102.15
May	102.60	—	—	103.15
July	104.70	—	—	104.25
Sept	105.80	—	—	105.30

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
July	442.3	444.0	437.0	436 3
Oct	443.2	445 0	437.0	438 5
Jan	446.0	447.0	440 0	439 2
April	448 8	449 0	446 0	443.0
July	452.3	—	—	445 5

SILVER 5 000 troy oz, cents/troy oz

	Close	High	Low	Prev
July	506.9	512 0	500 6	502 1
Aug	508.9	—	—	504 3
Sept	511.3	516 5	507 0	506.7
Dec	519.0	524.5	516.0	515.2
Jan	521 5	521 5	521.5	516 1
March	528.3	532 0	524.5	523 7
May	534 1	540.0	530.5	529.5
July	539.6	—	—	535 2
Sept	546 0	548.0	548.0	541 4
Dec	555.4	560.0	554.0	550.3

SUGAR WORLD "11" 112,000lbs, cents/lbs

	Close	High	Low	Prev
Sept	5.73	5.46	5.12	5 26
Oct	5.48	5.75	5 37	5.63
Jan	5.66	5 97	5.80	5.69
March	6 22	6 53	6.18	6.36
May	6.40	6 69	6.36	6.53
July	6 59	6.83	6.50	6 59
Sept	6.55	—	—	6 65
Oct	6.82	7 02	6.58	6.90

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Aug	56.67	56 70	55 55	55.27
Oct	56.57	56 62	55 55	55 27
Dec	57.72	57.85	56.85	56.90
Feb	56.97	56.10	55.40	55 35
April	56 37	57.10	56.55	56 42
June	57.10	57 10	56.75	56.90

LIVE HOGS 30,000 lb, cents/lb

	Close	High	Low	Prev
July	60.35	60 5	59.20	58.85
Aug	57 67	57.77	56.80	56 32
Oct	53.87	54.00	52.90	52 67
Dec	53.00	53 05	51.80	51 60
Feb	50.12	50 25	49.45	49 20
April	44.40	44 65	44 20	44.23
June	45.90	45 90	45 50	45.50
July	45.87	45.50	45.30	45 15

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	High	Low	Prev
July	214.2	216.4	210.4	208 0
Sept	173.0	179.2	176.6	172 4
Dec	176 2	179 4	176.0	173 0
March	183.0	188 0	125.4	133 0
May	193.4	133.4	191.0	183.8
July	195.0	195.2	193.2	190 4
Sept	188.4	189.2	186.0	185 0

PORK BELLIES 38,000 lb, cents/lb

	Close	High	Low	Prev
July	87.37	87.37	85 80	85 37
Aug	85.17	35 17	33.70	85 17
Feb	76.85	76.90	75 45	75.12
March	76.32	76.32	75.00	74.80
May	73.87	73 87	72.20	72.35
July	70 30	70.30	70.00	68.50

SOYABEANS 5,000 bu min, cents/60 lb-bushel

	Close	High	Low	Prev
July	534.0	538.0	532.0	531.4
Aug	516.2	516 4	513.4	510 0
Sept	502.2	503.0	497.4	491 0
Nov	501.4	503.4	495 0	483 0
Jan	509.6	511.0	504.4	497.4
March	518.4	519 0	514 0	506.4
May	524.4	525.4	520 4	512.4
July	526.0	527.4	523.0	515 2
Aug	524.4	—	—	513 0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
July	156.4	158.0	156.5	154.5
Aug	148.7	150 0	147.5	146 3
Sept	144.7	145 0	142 5	141 3
Oct	143 1	143.5	141.5	139 3
Dec	145.2	145 7	142.5	141.1
Jan	146.0	147.0	144 0	142.5
March	148.7	149 0	146.0	144 2
May	152.0	152.0	152.0	145.7
July	155.0	—	—	149 5
Aug	155.0	—	—	149 5

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
July	16.20	16.30	16.10	16 03
Aug	16.21	16.45	16.15	16 08
Sept	-18.37	16.65	16.31	16 22
Oct	16.48	16.75	16 43	16.30
Dec	17.01	17.15	16 91	16.61
March	17.42	17 47	17 40	17.21
May	17.77	17.80	17.70	17.51
July	18.03	18 03	17.88	17.80
Aug	17.92	—	—	17.73

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
July	266.4	274.4	265.0	269 6
Sept	256 0	261 0	256.6	258.4
Dec	257.4	260.6	256 4	258.0
March	255.0	255.4	253.4	253.4
May	240.6	243.0	240.4	240 0
July	231.0	233.4	230.4	230 0

SPOT PRICES—Chicago loose lard 14.00 (same) cents per pound. Handy and Harman silver bullion 509.0 (502.0) cents per troy ounce.

...FUTURES — Index 576. Aug 575-578. Sept 575-578. Oct-Dec 571-575. Jan-March 580-584. April-June 590-575. July-Sept 592-597. Sales: Nil.

SUGAR

Concern that the EEC Commission would again withdraw as sellers as restitutions equal maximum granted in 1985 kept prices steady until late trade when values fell back, reports C. Czarnikow.

No. 6 Contract	Yest'rdy's close	Previous close	Business done
	$ per tonne F.O.B.		
Aug	113.0-114.0	115.0-116.6	119.0-112.0
Oct	125.4-125.6	128.4-126.1	129.6-121.2
Dec.	129.4-130.8	132.4-133.8	135.0-135.0
Mar.	140.6-141.0	145.0	145.4-140.9
May	144.8-145.4	147.4-148.0	149.4 148.8
Aug	147 8-149.4	151.6-152.4	—
Oct	151.0-153.4	156.0-168.4	—

Sales: 3,421 (2,324) lots of 50 tonnes.

LONDON DAILY PRICE—Raw sugar $130.00 (£87.00), up $3.00 (up £2.00) a tonne for July-Aug delivery. White sugar $172.00, up $8.00.

Tate and Lyle delivery price for granulated basis sugar was £190.00 (£187.50) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for July 14: Daily price 4.96 (5.06); 15-day average 5.52 (5.58).

PARIS—(FFr per tonne): Aug 1110/1090, Oct 1219/1220, Dec 1245/1260, Dec 1245/1260, Mar 1275/1285, May 1315/1330, Aug 1355/1375.

FREIGHT FUTURES

	Close	High/Low	Prev.
Dry Cargo			
July	560/564	564/560	555 559
Oct.	630/632	632/630	627-628
Jan.	659/662	662/659	658/660
April	724/730	730/728	724/725
July	662/660	—	625/660
Oct.	735/735	736/730	735/743
Jan.	725/760	—	725/761
Apr.	820/880	—	813/900
BFI.	570.5	—	571.5

Turnover: 40 (80).

	Close	High/Low	Prev.
Tankers			
July	835/900	867.5/835	850/925
Aug	850/900	900/850	880/930
Sep	900/910	—	900/950
Dec	900/970	—	1000/1050
Mar	1000/1050	—	1010/1075
June	1000/1050	—	1040/1099
BTI	946.5	—	972

Turnover: 7 (10).

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Pound recovers, dollar weak

Sterling recovered much of the ground lost on Monday, helped by profit-taking and steadier oil prices. Market attention tended to focus more towards the dollar which also helped. News of a 1.4 per cent fall in UK industrial output was something of a disappointment but did not appear to have much effect on the pound. In fact it opened at the weakest level of the day and closed at the highest. Its exchange rate index started at 73.1, down from 79.4 on Monday, and rose steadily to finisher at 73.7.

It rose against the D-Mark to DM 3.24 from DM 3.2275 and Y238.5 compared with Y237.50. Elsewhere it closed at SFr 2.6300, down from SFr 2.6350, but rose against the French franc to FFr 10.4575 from FFr 10.3350.

The dollar was confined to a relatively narrow range and yesterday's economic statistics provided insufficient impetus for traders to test a DM 2.16 support level with any real conviction. US retail sales had been expected to show little change and this was confirmed by a 0.2 per cent rise in May, while industrial production fell by 0.5 per cent, a little more than expected. Against this background the dollar maintained its bearish undertone. Some dealers suggested that further evidence of a sluggish economy could prompt the US authorities to cut the discount rate again without waiting for reciprocation from West Germany or Japan.

The dollar closed at DM 2.1660, down from DM 2.1795, and Y159.45, against Y160.25, its lowest closing level ever. It was also weak against the Swiss franc at SFr 1.7595 from SFr 1.7790 and FFr 6.9925 from FFr 7.01. On Bank of England figures, the dollar's exchange rate index fell from 113.9 to 113.3.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.1640. June average 2.2320. Exchange rate index 136.5 against 131.3 six months ago.

The D-Mark was higher against the dollar in Frankfurt yesterday with the US unit failing to gain any impetus from economic data released in the afternoon. Retail sales and industrial production figures were near enough to expectations not to make much difference so that the dollar remained within its recent trading range. Nevertheless, it retained a bearish undertone with the market still expecting lower interest rates to help reduce the large US trade deficit. The dollar was fixed at DM 2.1610 down from DM 2.1910 without any intervention by the Bundesbank. It closed at D M2.1645 down from DM 2.1870.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 159.45. June average 167.50. Exchange rate index 213.8 against 176.1 six months ago.

The yen was hardly changed against the dollar in Tokyo yesterday compared with closing levels in New York but it was still up from Monday's close in Tokyo. The dollar was confiend to a narrow range but lacked the support derived from recent short covering. The latter appeared to evaporate as the market restricted itself ahead of US economic data due out after the close of business in Tokyo. The dollar closed at Y159.35 compared with Y159.70 in New York and Y161.35 in Tokyo on Monday. Further depreciation was inhibited by dealers reluctance to go short so near the dollar's all time low. Trading today saw reasonable demand develop around the day's low of Y159.60.

£ IN NEW YORK

July 15	Latest	Prev. close
£ Spot	$1.4950-4960	$1.4880-4900
1 month	0.46-0.43pm	0.46-0.44pm
3 months	1.27-1.25pm	1.27-1.25pm
12 months	4.50-4.40pm	4.50-4.45pm

Forward premiums and discounts apply to the US dollar

CURRENCY MOVEMENTS

July 15	Bank of England Index	Morgan Guaranty Change %
Sterling	73.7	-18.0
U.S. dollar	113.3	+4.2
Canadian dollar	78.9	-11.7
Austrian schilling	127.6	+7.4
Belgian franc	95.5	-7.4
Danish Kroner	86.2	-0.9
Deutsche mark	136.5	+15.8
Swiss franc	163.2	+19.9

FINANCIAL FUTURES

Firmer trend

Prices were firmer on the London International Financial Futures Exchange yesterday, but both long term gilts and US Treasury bonds had gains trimmed by profit-taking. The overnight strength of the US bond market helped long gilt futures off to a good start, at 119-19 for September delivery. A recovery by sterling on the foreign exchanges encouraged the firmer trend, but dealers noted a lack of follow through buying, with the price falling short of strong resistance at 120-50, reaching a peak of 120-15. Poor economic news, with UK industrial production falling 1.4 per cent in May and manufacturing output declining by 0.1 per cent in the same month, had no impact.

Dealers commented that although signs of sluggish economic growth should push the market higher, other recent UK economic news and the vulnerability of the pound to lower oil prices, suggested there would not be a lowering of British interest rates. September gilts finished at 119-25, against 119-15.

US Treasury bonds moved ahead initially, and although the September contract peaked at 100-24 in London, the Chicago market was higher, coming close to a resistance point of 101-03, before retreating on profit-taking.

Eurodollar futures were strong, trading at rather high levels, unless there is to be another cut in the US interest rate.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
116	4.21	5.33	—	—	0.36	1.39	—	—
118	2.58	4.20	—	—	1.08	2.46	—	—
120	1.51	3.18	—	—	2.01	3.44	—	—
122	1.00	2.28	—	—	3.14	4.54	—	—
124	0.33	1.49	—	—	4.47	6.11	—	—
126	0.15	1.16	—	—	6.29	7.42	—	—
128	0.06	0.65	—	—	8.20	9.17	—	—
130	0.02	0.37	—	—	10.16	10.63	—	—

Estimated volume total: Calls 1,089, Puts 339

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
88	12.14	11.61	—	—	0.00	0.27	—	—
90	10.15	10.14	—	—	0.01	0.44	—	—
92	8.19	8.38	—	—	0.05	1.04	—	—
94	6.27	7.07	—	—	0.13	1.37	—	—
96	4.45	5.49	—	—	0.31	2.15	—	—
98	3.14	4.38	—	—	1.00	3.04	—	—
100	2.02	3.38	—	—	1.52	4.04	—	—
102	1.12	2.48	—	—	2.62	5.14	—	—

Estimated volume total: Calls 201, Puts 91

MONEY MARKETS

Houses sell long-dated bills

Interest rates showed little movement on the London money market yesterday, ...

LONDON SHARE SERVICE

BRITISH FUNDS

1986 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
102⅛	100½	Exch. 14pc 1986	101	...	13.86	10.06
98¾	94⅞	Exch. 2½pc 1986	98¾	...	2.52	7.29
102⅞	100¾	Exch. 13¼pc 1987	101⅞xd	...	13.04	10.01
100⅞	97⅞	Treas. 10¼pcCv '87	100¼xd	.....	10.25	10.02
97⅞	92⅞	Exch 2½pc 1987	97¼	.....	2.57	7.16
101¼	97½	Exch. 10½pc 1987	100¼		10.46	9.86
98⅝	93¾	Funding 6½pc '85-87‡‡	98⅛	−⅛	6.64	9.03
101⅛	96⅞	Treas. 10pc 1987	100¼	..	9.99	9.81
97⅛	90⅞	Treas. 3pc 1987	96⅛	+⅛	3.10	7.11
104⅛	99¾	Treas. 12pc 1987	102⅛	+⅛	11.71	9.86
99⅛	92⅞	Treas. 7¾pc 1985-88‡‡	97⅞xd	..	7.93	9.25
104	96⅛	Exch 10½pc '88	101⅛	+⅛	10.37	9.66
102⅞	95⅛	Treas. 9¾pc Cv '88	100⅛	.....	9.75	9.69
94⅛	86⅞	Transport 3pc '78-88	92⅞	+⅛	3.25	7.09
102⅛	93⅞	Treas. 9½pc '88	99⅝		9.54	9.65
107⅛	98⅛	Treas. 11½pc 1989	104⅛	+⅛	11.03	9.60
103⅛	93⅛	Treas. 9½pc Cnv. '89	99⅛	.	9.52	9.58
92⅛	82⅛	Treas. 3pc 1989	89⅝	+⅛	3.34	7.13
105⅛	95⅛	Treas. 10½pc 1989	102⅛	−⅛	10.28	9.61
104⅛	94⅛	Exch 10pc 1989	101⅛xd	−⅛	9.90	9.60
107⅛	97	Exch 11pc 1989	103⅛	−⅛	10.60	9.55
93⅛	84⅛	Treas. 5pc 1986-89	91⅛		5.45	8.03
110⅛	94⅝	Exch 10¼pcCv '89	105⅛	+⅛	9.73	8.34
114⅛	103⅛	Treas. 13pc 1990‡‡	110⅛xd		11.80	9.49
108⅛	97⅛	Exch 11pc 1990‡‡	104⅛xd	−⅛	10.55	9.55
[illegible]						

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for November 1985, 378.4 and for June 1986, 385.8.

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

High	Low	Stock	Price	+ or -	Div Net	Cvr	Y'ld Gr's
63½	30	Anglo-Dominion	56	-7½	—	—	—
42	23½	Anglo Utd Dev.	27xd	.....	1.07	♦	5.6
80	45	Colby Res Corp.	48½	+2	—	—	—
300	130	Cons. Murch. 10c	165xd	+20	Q100c	♦	12.2
34	28	Ennex Int. Ir10p	33	.....	—	—	—
102	70	Greenwich Res	92	.....	—	—	—
157	93	Hampton Areas 10p	146	.....	‡1.0	—	1.0
250	165	Highwood Res.	233	+5	—	—	—
£19⅝	£13¾	Homestake Mining $1	£13⅞	-⅛	Q20c	—	1.0
310	175	McFinley Red Lake	190	-6	—	—	—
285	190	Musto Explorations	192	-4	—	—	—
51	33	New Sabina Res C$1	37	.....	—	—	—
260	200	Northgate C$1	209	-4	—	—	—
790	513	RTZ	562	-25	22.0	2.8	5.5
£164	£115	Do. 9½pcLn '95-2000	£130	-4	Q9½%	15.5	17.3

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ¶ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- ‡ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	60	....	Fin. 13% 97/02	£118⅝	-⅛
Craig & Rose £1	£13xd	..	Arnotts	338	+5
Finlay Pkg. 5p	43	....	CPI Hldgs	43	....
Holt (Jos) 25p	810	-10	Carrol Inds.	160	....
IoM Stm. £1	86	+1	Dublin Gas	53	....
			Hall (R. & H.)	74	....
IRISH			Heiton Hldgs.	31	....
Fund 13¾% 1988	£102¼	.....	Irish Ropes	180	....
Nat. 9¼% 84/89	£100	.....	Unidare	203	-2

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LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
June 30	July 10	July 11	July 21
July 14	July 24	July 25	Aug 4
July 28	Aug 7	Aug 8	Aug 18

* "New-time" dealings may take place from 9.30 am two business days earlier.

Equities down again but Gilts rally in line with sterling

London stock markets regained a measure of composure after the previous day's setbacks prompted by persistent weakness in sterling. Inevitably, all eyes were on the pound at the opening of markets yesterday and a much steadier trend in the currency lead to a gradual restoration of confidence.

Initial dealings in the equity sectors were soured by the overnight fall on Wall Street and resulted in a mark down of leading shares, particularly the international stocks.

A put through of some 46m Hanson Trust shares at around 175p was also an early restraining factor, but once this had been successfully completed a recovery movement got underway. The transaction was part of a 106m placing of Hanson shares issued following the acquisition of Imperial Group.

There was no real force behind the rally which began to look a little fragile awaiting the opening of Wall Street. In the event, transatlantic markets failed to give a positive lead at the opening yesterday and the final tone in domestic equities was rather uncertain.

Illustrating the trend, the Financial Times Ordinary share index reduced a loss of 7 points at the 10 am calculation to one of 4.7 an hour later, but drifted back again to close 7.3 down on the day at 1302.6. The FT-SE 100 closed 4.3 lower at 1593.0 after having recorded a fall of 11.5 at the opening.

Overall conditions were rather quiet, but takeover situations, both rumoure dand actual, kept interest alive. Four new bids were announced yesterday among which Bestobel found itself on the receiving end of an offer from Meggitt Holdings.

Government securities also put on a better performance. Apart from the rally in sterling, market sentiment was helped by the overnight improvement in US bonds and long-dated stocks, which sustained falls extending to around two points on Monday, regained up to ¾. In common with the equity sector, trading was at a low ebb, but the better conditions encouraged some switching activity.

Elsewhere, Chinese bonds moved up sharply in anticipation of imminent debt settlement news. Dealings in Russian bonds were temporarily suspended pending a statement; it was announced later that agreement had been reached between the UK and Soviet authorities regarding settlement details of Russian bonds owned by British nationals.

Stewart Wrightson jump

Stewart Wrightson were outstanding among firm Lloyd's brokers, advancing to 460p at one stage on persistent speculative buying fuelled by rumours of a possible £7 per share bid from Citicorp of the US, before closing the session a net 20 higher on balance at 448p. Currency influences provided the major spur for others in the sector and old bid favourite Hogg Robinson were notable for a rise of 12 at 310p. Derek Bryant leapt 30 to 305p in a restricted market, while PWS International gained 10 at 320p. Sedgwick put on 7 at 345p and Minet gained 6 at 248p.

Standard Chartered, still reflecting its escape from the hostile £1.3bn bid by Lloyds, followed Monday's decline of 57 with a fresh reaction to 712p yesterday before rallying on the appearance of cheap buyers to end the day 5 dearer on balance at 723p. Among merchant banks, Brown Shipley, in which Kredietbank Luxembourgeoise now holds a 25.5 per cent stake, rallied 8 at 523p. Kleinwort Benson, however, lost 10 at 740p and Morgan Grenfell gave up 6 afresh at 455p.

Belhaven hardened a couple of pence to 65p amid revived chatter of an imminent share-exchange bid from Somportex. G. Ruddle put on 3 for a two-day gain of 13 to 188p after an investment recommendation. Cider makers H.P. Bulmer encountered nervous selling in front of today's annual results to close 5 cheaper at 163p.

Leading Buildings generally failed to recover from an initial mark-down despite the appearance of buyers at the lower levels. Blue Circle settled 5 off at 612p, after 610p, as fears about Greek cement imports resurfaced. Tarmac, a firm market recently in the wake of a broker's lunch, gave up 10 to 480p on profit-taking and BPB Industries lost 8 to 530p. Redland shed 5 to 443p. Elsewhere, HAT Group came under selling pressure following annual profits below market estimates and dipped 13 to 87p, while recent favourite Helical Bar came back 10 to 230p. Arcliffe, on the other hand, gained 7 to 74p in a restricted market on takeover hopes.

ICI fluctuated narrowly around a lower opening level of 984p prior to closing a net 8 off at 982p. Among other Chemicals, Laporte continued to lose ground in the wake of a broker's "sell" advice and settled 4 cheaper at 371p. Coalite on the other hand gained 9 to 29p as I C Gas takeover hopes persisted: the latter hardened 3 to 408p. Sutcliffe Speakman shed 5 to 58p on lack of support, while Evode, at 127p, lost a penny of the previous day's gain of 3 which followed details of increased interim profits.

Stores rarely strayed from the overnight positions. Investors again proved reluctant as hopes of a cut in interest rates faded. Marks and Spencer, down to 196p earlier, rallied to 200p, a net gain of 2. Dixons eased 2 to 32p awaiting today's full-year figures, while Ratners lost a like amount to 171p despite the favourable reception afforded the preliminary results. Handbag merchants Lanca attracted revived speculative support and improved 6 for a two-day gain of 11 at 54p, but Tern, due to reveal annual results tomorrow, eased a couple of pence to 52p.

Electrical leaders closed mixed after a moderate business. Plessey came on offer at 214p, down 6, while Thorn EMI relinquished 4 at 451p and BICC softened a couple of pence at 261p. GEC hardened 2 to 194p as did British Telecom to 200p. Elsewhere, Eurotherm fell 20 to 290p on nervous offerings ahead of today's interim results, while Demmans continued to reflect the profits warning with a similar decline to 90p. Questel fell 26 to 245p on further consideration of the results, while Systems Designers dropped 4 more making a two-day relapse of 18 at 88p following a profits downgrading by brokers James Capel.

A few firm features emerged among secondary Engineers. F.H. Lloyd's annual results pleased and the shares rose 5 to 71p, while speculative support was forthcoming for William Boulton and Bronx, both of which closed 3 higher at 24p and 33p respectively. Castings added 5 at 115p. Crown House, on the other hand, lost 6 more to 216p on further consideration of the results. The leaders remained quietly dull with Hawker a further 3 off at 531p and Vickers a couple of pence off at 431p.

Bid developments prompted a couple of contrasting movements in the Food sector. Mayhew Foods gained 15 to 130p on details of an agreed offer from Northern Foods, 4 cheaper at 292p, but Slaters Foods, having risen 22 on Monday on speculative buying, reacted 12 to 178p following a recommended share-exchange offer from Freshbake. Freshbake eased to 91p on the announcement, but picked up to close unchanged on the day at 94p. Elsewhere, Jack Israel firmed 1½ to 29½p in reply to the good results and optimistic statement, but recently-firm Hazlewood Foods came back 10 to 838p. Park Foods attracted renewed support and closed 7 higher at 162p and Christian Salvesen edged up a couple of pence to 154p. Leading Foods gave modest ground owing to a lack of support. Cadbury Schweppes slipped 3 to 172p and Tate and Lyle were a similar amount off at 585p. Rowntree Mackintosh gave up 5 at 427p and Unigate lost 3 at 293p. News of a Brazilian joint venture failed to sustain United Biscuits which closed 4 cheaper at 236p.

Among Hotels, Ladbroke [illegible] to 358p while closing slipped to 350p prior to closing a net 3 off at 352p. Trusthouse Forte lost the turn at 158p, but Grand Metropolitan, after easing to 380p, picked up in the late dealings to close without alteration at 383p. Garfunkels shed 5 to 128p.

Bestobell

Bestobell provided an outstanding firm feature among miscellaneous industrials, rising 35 to 533p, after 535p, on news of the bid, later rejected, from Meggitt Holdings, a couple of pence up at 139p, after 131p. Elsewhere, Metal Closures continued to reflect a newsletter recommendation with a fresh rise of 8 at 153p, while a flurry of speculative buying on bid hopes lifted Hyman 4 to 42½p. Biddle firmed 7 to 185p following the increased bid from Myson, while Pearson, at 533p, retrieved 5 of Monday's fall of 25 which stemmed from a newspaper's "sell" recommendation. Brengreen hardened 1½ to 37½p following the results, but profit-taking in the absence of bid developments left Nu Swift Industries 15 lower at 158p. Tiphook cheapened 5 to 335p after trading news and falls of 9 and 10 respectively were seen in Reuters, 483p, and Parkfield, 535p. Metal Box, 45 down at 725p, on competition worries featured the leaders where Glaxo dipped 15 to 950p.

Publishers were mixed. Further profit-taking left Associated Newspapers 7 off at 308p, but buyers displayed renewed enthusiasm for United, finally 8 to the good at 398p. Paper/Printings gave ground under the lead of BPCC, 6 cheaper at 274p.

Leading Properties displayed an easier bias. Land Securities shed 3 to 336p, as did MEPC, to 352p. Hammerson A lost 5 at 435p and Great Portland Estates softened a couple of pence to 180p. United Real, up 15 on Monday following a takeover approach slipped 5 to 835p; London and Edinburgh have been mentioned as possible bidders. London Provincial Shop attracted occasional support and firmed 4 to 172p and Phoenix Properties revived with an improvement of 4 at 76p. Markheath Securities gained 6 to 50p in reply to the excellent results, but recently-firm Abaco dipped to 78½p prior to closing a penny off at 82p. Dealings in New Cavendish Estates were suspended at the company's request pending clarification of a situation which may result in a change of control through a subscription and related share purchase.

Ocean Transport hardened the turn to 219p following news that Mr Ron Brierley's IEP Securities holds a disclosable stake.

Textiles finished a shade easier for choice. John Crowther eased a few pence to 170p, while Ireland's Sunbeam Wolsey, currently in receipt of an offer from the former, gave up a similar amount to 126p. Burmatex, 180p, and Sanderson Murray and Elder, 109p, dipped 6 and 9 respectively. In contrast, Stroud Ridley Drummond continued to benefit from a favourable Press mention and hardened 4 for a two-day advance of 11 to 134p. Bulmer and Lumb, depressed on Monday following news that informal takeover talks with John Haggas had been terminated, rallied 4 to 96p.

Financials again highlighted Authority Investments which were marked 100 higher to 500p in response to the partial tender offer from Berkley House — a move designed to frustrate the previously agreed bid for Authority from Management Group, the vehicle controlled by Messrs Backhouse, Campbell and Innes. Elsewhere, Barrie Investment and Finance hardened a fraction to 16½p amid "call" option activity reflecting persistent hopes of a bid from Bestwood. James Ferguson, on the other hand, eased a few pence to 105p, while sellers also predominated in Kwahu, finally 5 cheaper at 29p.

An initial mark-down of the leading Oils following the recent slide in crude oil spot prices, attracted persistent "cheap" buying and the majority of the top quality issues rallied sufficiently to close either unchanged on the day or with minor gains. BP, after opening at 555p, picked up to close a couple of pence firmer at 565p, while Shell were finally unaltered on balance at 780p, after 773p. Britoil dipped to a record low of 138p prior to settling only a shade easier at 140p, while LASMO hardened 2 to 90p.

Secondary issues moved narrowly; Hunting Petroleum held at 137p following news that the company has acquired French oil and petro-chemical equipment importer and distributor Interpec for £1.65m.

South African sectors of mining markets lost further ground but generally closed well above the day's lowest levels. Gold shares were marked down at the outset, reflecting fairly steep falls in the US overnight, and drifted further before picking up later in the day. The minor rally was triggered by a firmer trend in bullion — finally $1.25 better at $346.75, and an improvement in the Financial Rand, which was trading around 20.5 cents towards the close.

However, the Gold Mines index showed a 6.1 fall at 190.3 — its third successive decline and its lowest level since June 1982.

Major improvements in the heavyweights included Vaal Reefs, which gave up a point to £33, Western Deep, ½ off at a 1986 low of £15⅞ and Buffels which dipped ⅞ more to £10⅞.

South African Financials were similarly depressed. Gencor retreated 50 to 650p, "Amgold" ¼ to a year's low of £34⅞ and OFSIL a like amount to a record low of £11¼.

UK-registered Financials provided a notable weak spot in Rio Tinto Zinc which dropped 25 to 562p following talk that a leading broking house has downgraded its profits forecast. Consolidated Gold Fields drifted to 432p during the morning, picked up to 439 but eventually settled 6 off at 429.

The continuing slide on Wall Street had an unsettling effect on overnight Sydney and Melbourne markets which came under renewed pressure. Australians were consequently marked lower at the outset of trading in London and generally closed with widespread, although generally minor falls. Golds were an exception, however, and Gold Mines of Kalgoorlie put on 5 to 380p. The leading diversified issues showed CRA 10 off at 244p, Bougainville 4 lower at 98p and Western Mining 2 easier at 130p.

Elsewhere, Cornish tin miner Geevor slipped 3 to 27p, reflecting the grim outlook for the company following the recent refusal of Government aid to keep the mine in operation.

Traded Options

Proceedings in Traded Options were dominated by Hanson Trust; the sizeable put-through in the underlying shares stimulated further demand for the options which attracted 2,857 calls and 272 puts. Dealers reported a lively and often evenly-balanced business throughout the list, especially in British Petroleum which contributed 1,131 calls and 463 puts and British Telecom which recorded 645 calls and 670 puts. The FT-SE 100 again reflected market sentiment, however, with 604 calls struck to 1,462 puts. Total contracts transacted amounted to 16,387.

FINANCIAL TIMES STOCK INDICES

	July 15	July 14	July 11	July 10	July 9	year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs	89.00	88.92	89.91	90.41	90.66	83.18	94.51 (18/4)	80.39 (20/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.35	96.15	96.87	97.12	97.16	87.66	97.68 (7/7)	86.55 (23/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1302.6	1309.9	1337.3	1340.6	1331.5	928.7	1425.9 (3/4)	1094.3 (14/1)	1425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	190.3	196.4	198.1	203.6	202.4	399.0	357.0 (27/1)	190.3 (15/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.24	4.22	4.14	4.13	4.15	5.00				
Earnings Yld.%(full)	10.22	10.16	9.93	9.90	9.953	12.47				
P/E Ratio (net) (*)	11.90	11.97	12.27	12.30	12.24	9.79				
Total Bargains (Est)	25,183	27,706	30,448	28,527	28,555	19,980				
Equity Turnover £m.	—	630.81	786.95	798.15	611.33	371.40				
Equity Bargains	—	24,097	27,983	26,603	23,552	15,141				
Shares Traded (ml).	—	247.3	333.4	313.3	237.3	173.1				

S.E. ACTIVITY

Indices	July 14	July 11
Gilt Edged Bargains	164.6	138.6
Equity Bargains	156.1	181.3
Equity Value	1,275.0	1,590.6
5-Day Average		
Gilt Edged Bargains	143.0	136.5
Equity Bargains	171.3	178.4
Equity Value	1,371.4	1,319.5

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1299.8	1302.9	1305.3	1303.4	1302.3	1302.3	1303.3	1303.6

Day's High 1305.3. Day's Low 1299.8.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=11.50.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Mon July 14 Index No.	Fri July 11 Index No.	Thurs July 10 Index No.	Year ago (approx.) Index No.
[illegible]										

FIXED INTEREST

[illegible]					

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (41)

FOREIGN BONDS (1) Chinese 5pc '25 Boxer. BANKS (1) First Pacific Hldg. BREWERS (2) Macdonald Martini, Ruddle (G.). BUILDINGS (4) Arncliffe, Berkeley Group, Tilbury, Vibroplant. CHEMICALS (1) Coalite. STORES (1) Ramar Textiles. ELECTRICALS (2) ASEA AB A, Toshiba Corp. ENGINEERING (5) Boulton (Wm), Bronx Eng, Castings, Eadie, Lloyd (F. H.). FOODS (4) FII, Mayhew Foods, Park Food, Tavener Rutledge. INDUSTRIALS (8) Assoc Brit Eng 8pc Cum Cv Red Pf, Bestobell, Gestetner, Hyman, JS Pathology, Securiguard, The Times Veneer, Westwood Dawes A. INSURANCE (2) Bradstock, Stewart Wrightson. PROPERTY (2) Lon Shop Prop, Marler Estates. TEXTILES (2) Pantherella, Stroud Riley Drummond. TRUSTS (5) Gresham House, Barrie Inv & Fin, York & Equity 8pc Cv '95-2000, Authority Inv, Berkeley Tech. OILS (1) Petrofina.

NEW LOWS (53)

BRITISH FUNDS (1) Treas 3pc 1991. AMERICANS (6) Amax, Cullinet Software, IBM Corp, IU Intl, USX, Utd Tech. BANKS (1) Mercury Intl. BUILDINGS (2) Bett Bros, HAT Group. STORES (3) Bedford (Wm), Liberty, Do N/V. ELECTRICALS (5) CASE, Dowding & Mills, Eurotherm, Polytechnic Elect, Powerline Int. FOODS (1) Cullen's. INDUSTRIALS (4) Robertson Research, Securicor A N/V, Sharna Ware, Trafalgar House. PAPER (3) Barker (Charles), LCA, Valin Pollen Intl. SHIPPING (1) Sea Containers. TRUSTS (5) American Trust, GBC Capital, Independent Inv, Pacific Assets Ser 1 Warr, Westpool Inv. OILS (3) Britoil, Chevron, Gulfstream Res. OVERSEAS TRADERS (1) Polly Peck 9pc Cv Ln '03-08. MINES (17)

BASE LENDING RATES

	%		%
ABN Bank	10	Equatorial Tst Corp. plc	10
Allied Arab Bank Ltd	10	Exeter Trust Ltd	10½
Allied Dunbar & Co	10	Financial & Gen. Sec	10
Allied Irish Bank	10	First Nat. Fin. Corp	11
American Express Bk	10	First Nat. Sec. Ltd	11
Amro Bank	10	● Robert Fleming & Co	10
[illegible]			

EUROPEAN OPTIONS EXCHANGE

[illegible]							

TRADITIONAL OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
July 7	July 18	Oct 9	Oct 20
July 21	Aug 1	Oct 23	Nov 3
Aug 4	Aug 15	Nov 6	Nov 17

For rate indications see end of Unit Trust Service

Stocks favoured for the call included Barrie Investment and Finance, Abaco Investments, Associated British Engineering, Rockware, York and Equity, Densitron, Hawtin, Morgan Grenfell, "The Times" Veneer, Newman Industries, Amstrad, Property Trust, Bennett and Fountain, Alexanders Holdings, Manganese Bronze, Sheraton, Hanson Trust, Thomas Marshall (Loxley), William Boulton, Polly Peck, S. & U. Stores, Stone International, Parkfield and Nelton. Puts were done in Wellman, Conroy and F. & W. Macmillan. A double option was transacted in Abaco.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change	Stock	Closing price	Day's change
Bestobell	533	+35	ICI	982	−8
Boots	236	−1	Jaguar	489	−3
Expamet Nil pd	7pm	−9	Nu-Swift Inds.	158	−15
Hanson Trust	176	−3	Sears	122	—
Harris Queensway	226	+2	Slaters Food	178	−12
Hogg Robinson	310	+12	Stewart Wrightson	448	+20

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of changes	Mon. close	Day's change	Stock	No. of changes	Mon. close	Day's change
Pearson	21	528	−25	Reine Inds.	15	79	−12
ICI	18	990	−6	Beecham	14	423	−12
Std. Chartered	17	718	−57	Pentland Inds.	14	475xd	−31
Abaco Invs.	15	83	−5	Wellman	14	46½	+4½
Guinness	15	330	−10	Br. Aerospace	13	483	−7
Morgan G'fell	15	461	−14	GEC	13	192	−8

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	58	12	42
Corporations Dominions and Foreign Bonds	10	23	39
Industrials	171	565	766
Financial and Property	70	192	315
Oils	14	24	30
Plantations	1	1	14
Mines	18	72	58
Others	25	153	73
Totals	364	1042	1426

LONDON TRADED OPTIONS

[illegible]							

WORLD STOCK MARKETS

CANADA

TORONTO
Prices at 2.30pm July 15

MONTREAL
Closing prices July 14

Total Sales 3 807 851 shares

Indices

NEW YORK

DOW JONES	July 14	July 11	July 10	July 9	July 8	1986 High	1986 Low	Since Cmp High	Since Cmp Low
♦ Industri'ls	1793.45	1821.43	1831.83	1826.07	1820.73	1909.03 (2/7)	1502.29 22/1	1909.03 (2/7/86)	41.22 2/7/32
H'me Bnds	91.06	91.05	91.05	91.24	91.09	91.94 21/4	83.75 14/1	—	—
Transport	740.00	751.38	753.38	750.00	752.60	830.84 31/5	686.97 9/1	830.84 31/5/86	12.32 8/7/32
Utilities	204.16	204.05	200.54	199.00	198.23	204.16 14.7	169.47 22/1	204.16 14.7/86	10.5 8/4/34

♦Day's High 1815.65 (1840.97) Low 1785.29 (1810.88)

STANDARD AND POOR'S	July 14	July 11	July 10	July 9	July 8	1986 High	1986 Low	Since Cmp High	Since Cmp Low
Composite ‡	238.11	242.22	243.01	242.82	241.56	252.70 (2/7)	203.49 (22/1)	252.70 (2/7/86)	4.40 1/6/32
Industrials	263.41	268.78	270.29	270.26	268.80	282.24 (2/7)	224.88 22/1	282.24 (2/7/86)	3.62 21/6/32
Financials	28.44	28.82	28.89	28.83	28.89	31.15 (14/5)	25.78 22/1	31.15 14/5/86	8.64 1/10/7
N.Y.S.E. COMPOSITE	137.27	139.51	139.68	139.55	138.72	145.15 (2/7)	117.75 (22/1)	145.15 2/7/86	4.46 25/4/4
AMEX. MKT VALUE	269.05	273.68	273.13	273.71	270.71	285.19 (25/6)	240.30 (4/2)	285.19 25/6/86	29.15 9/12/7
NASDAQ OTC COMP.	384.80	391.55	392.03	393.39	390.65	411.16 (3/7)	323.01 (9/1)	411.16 3/7/86	54.87 3/10/7

DIVIDEND YIELDS	June 27	June 20	June 13	June 6	year ago (approx)
Dow Industrial	3.59	3.66	(u)	3.60	4.59
	July 2	June 25	June 18	June 11	
S and P Industrial	2.88	2.93	2.96	2.97	3.70
S and P Ind P/E ratio	18.61	18.32	18.07	17.85	11.96

TRADING ACTIVITY (Millions)	July 14	July 11	July 10
Volume † New York	123.17	124.47	146.16
Amex	8.45	8.49	9.45
O.T.C.	108.58	—	107.25

New York	July 14	July 11	July 10
Issues Traded	1,963	1,967	1,969
Rises	406	858	819
Falls	1,252	705	735
Unchanged	305	404	415
New Highs	49	50	41
New Lows	63	22	38

CANADA

TORONTO	July 14	July 11	July 10	July 9	July 8	1986 High	1986 Low
Metals & Minerals	1984.6	2006.04	2009.5	1999.2	1992.1	2442.65 (21/3)	1984.6 (14/7)
Composite	2999.4	3024.0	3014.9	3013.1	2997.3	3129.11 (18/4)	2764.0 (17/2)
MONTREAL Portfolio	1506.61	1515.64	1513.89	1518.61	1508.09	1623.35 (16/4)	1396.60 (22/1)

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
IBM	2,226,700	139¼	−3⅞	Panhandle Pipe	1,291,700	46⅛	−2⅜
Pacificorp	2,067,900	35¼	−⅛	Philadelphia El.	1,191,400	21⅞	+⅛
Safeway Strs.	1,742,500	54⅜	−2⅞	Duquesne Lgt.	1,142,800	13⅝	−⅛
Sanders Assoc.	1,710,400	59⅝	−2⅝	Pepsico	1,093,600	30⅝	−1⅞
AT & T	1,475,700	24⅝	−⅛	Texas Util.	1,092,600	33⅝	+⅜

	July 15	July 14	July 11	July 10	1986 High	1986 Low
AUSTRALIA						
All Ord. (1/1/80)	1122.2	1157.1	1159.9	1134.1	1247.0 (7/5)	1010.8 (2/1)
Metals & Mnls. (1/1/80)	493.2	503.4	504.2	503.9	602.0 (24.3)	481.1 (20.5)
AUSTRIA						
Creditbk Aktien(30/12/84	259.10	239.61	259.44	240.02	266.64 (23/4)	226.58 (5/3)
BELGIAN						
Brussels SE (1/1/80)	3697.65	3722.46	3727.74	3703.41	3746.88 (7/7)	2786.81 (15/1)
DENMARK						
Copenhagen SE (3/1/83)	204.49	208.15	210.01	212.70	250.70 (18/4)	204.49 (15/7)
FRANCE						
CAC General (31/12/82)	364.8	(c)	374.10	372.5	411.3 (15/5)	267.8 (2/1)
Ind Tendance (31/12/82)	140.1	(c)	143.3	142.4	154.3 (12.5)	101.8 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	611.29	622.98	625.03	617.47	753.88 (17/4)	600.68 (7/7)
Commerzbank (1/12/53)	1845.5	1875.8	1884.80	1859.8	2278.8 (17/4)	1814.7 (7/7)
HONG KONG						
Hang Seng Bank(31/7/64)	1764.13	1769.95	1721.89	1719.30	1865.85 (7/5)	1559.94 (18/3)
ITALY						
Banca Comm Ital. (1972)	656.60	667.87	689.85	705.64	988.20 (26/5)	454.67 (24/1)
JAPAN**						
Nikkei (16/5/49)	17882.8	17820.6	17670.77	17469.8	17882.8 (15/7)	12891.5 (21/1)
Tokyo SE New (4/1/68)	1390.56	1385.65	1375.15	1368.85	1390.56 (15/7)	1025.85 (21/1)
NETHERLANDS						
ANP.CBS General (1970)	290.5	294.3	294.4	292.9	294.4 (11.7)	240.4 (3/3)
ANP.CBS Indust (1970)	290.6	295.3	295.7	291.3	295.7 (11.7)	234.0 (3/3)
NORWAY						
Oslo SE (4/1/83)	360.69	355.41	345.59	357.60	402.91 (16/1)	345.59 (11/7)
SINGAPORE						
Straits Times (30/12/66)	752.64	739.95	752.01	721.98	778.89 (25/6)	563.34 (28/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	1270.1	1246.2	1255.8	1507.9 (27/1)	1108.1 (21/4)
JSE Indust (28/9/78)	—	1181.9	1192.8	1191.8	1205.1 (20/5)	1019.6 (2/1)
SPAIN						
Madrid SE (30/12/85)	171.69	173.22	174.09	174.12	184.77 (12/5)	100.88 (3/1)
SWEDEN						
Jacobson & P (31/12/56)	2485.93	2500.59	2438.01	2479.91	2510.56 (7/7)	1729.57 (29/1)
SWITZERLAND						
Swiss BankCpn(31/12/58)	540.8	547.6	547.8	543.3	625.5 (8/1)	540.8 (15/7)
WORLD						
M.S. Capital Intl. (1/1/70)	—	321.6	326.0	324.6	331.4 (4/7)	249.8 (23.1)

** Saturday July 12: Japan Nikkei (c). TSE (c).

Base value of all Indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

LONDON Chief price changes
(In pence unless otherwise indicated)

RISES

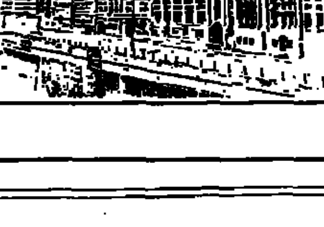
Arncliffe	74	+7
Author Invs	500	+100
Bestobell	533	+35
Biddle	185	+7
Boulton (Wm.)	24	+3
Bronx Eng	33	+3
Coalite	299	+9
Hogg Robin	310	+12
Hyman	42½	+4
Lanca	54	+8
Lloyd (F.H.)	71	+5
Markheath	50	+8
Mayhew Foods	130	+15
Metal Clos	153	+8
Park Food	162	+7
Stew Wright	448	+20

FALLS

Denmans Elect	90	−20
Eurotherm Intl	280	−20
H A T Group	87	−13
Kwahu	29	−5
Metal Box	725	−45
Nu-Swift Inds	158	−15
Plessey	214	−6
Questel	245	−28
RTZ	566	−25
Slaters Food	178	−12

OVER-THE-COUNTER
Nasdaq national market, 2.30pm prices

Continued from Page 43



Prices at 3pm, July 15

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25 1/2	13 1/2	AAR s	.44	2.0	18	202	22 1/8	22 1/4	22 1/4	- 1/4
30	21 3/4	ADT	.92	4.2		1181	23 1/8	21 7/8	22 1/8	- 7/8
35	11 1/2	AFG s			26	570	32	31 1/4	31 1/4	- 1/4
25 3/8	13 3/4	AGS			14	348	18 7/8	18 1/4	18 3/8	- 3/4
15	9 1/4	AMCA				8	11 3/8	11 3/8	11 3/8	- 1/8
60 3/8	37 1/2	AMR			10	4589	48 3/4	47 3/4	47 3/4	- 1
27 1/2	23 1/4	ANR pf 2.67		10.		1	25 1/2	25 1/2	25 1/2	
23 1/2	19 1/4	ANR pf 2.12		9.6		5	22	22	22	
12 1/2	8	APL			6	129	11	11	11	
16 3/4	11 1/4	ARX	.71t	5.9	11	107	12	11 7/8	12	- 1/8
51	28 3/4	ASA	2a	6.7		278	30	29 5/8	30	+ 1/4
18 3/8	10 1/2	AVX			28	266	11 5/8	11 1/2	11 5/8	- 1/8
32	22 3/8	AZP	2.72	8.8	8	2871	31 1/4	30 3/8	31	+ 3/4
56	29 3/4	AbtLb s	.84	1.8	22	4604	49 1/4	47 1/2	48	- 1
32	19 3/8	AccoWd	.56	2.1	18	103	27 1/4	27	27	- 1/8
17	10	AcmeC	.40	3.7		12	11	10 3/4	10 3/4	- 1/8
9 1/4	7	AcmeE	.32b	4.3	18	24	7 5/8	7 1/2	7 1/2	- 1/8
20 3/4	17	AdaEx	1.90e	9.6		34	20	19 7/8	19 7/8	
33 3/8	16	AdmMl	.40	1.3	14	47	30 3/4	30 3/8	30 3/8	- 1/8
20 3/8	11 1/4	AdvSys	.83t	5.1	15	83	17 1/8	16 3/8	16 3/8	- 7/8
32 7/8	15 3/4	AMD				6650	16 1/8	d14 7/8	15 1/8	- 7/8
12 3/8	7	Adobe n			41	6 7/8	d	6 3/4	6 3/4	- 1/4
18 3/8	14 5/8	Adob pf 1.84		12		59	15 1/2	14 3/4	14 3/4	- 1
20 1/4	15 1/4	Adob pf 2.40		13		126	18 5/8	18 1/4	18 1/2	+ 1/8
18 3/8	7 3/8	Advest	.12e	.8	12	266	16	15 3/8	15 5/8	- 1/8
66 1/4	42 1/4	AetnLf	2.64	4.5	11	1551	58 5/8	58 1/4	58 3/8	- 1
57 1/2	51 1/2	AetL pf	4.28e	8.2		70	52 1/2	52 3/8	52 1/2	
28 3/4	9 5/8	Ahmns	.48	1.7	9	2672	27 3/8	26 3/8	26 7/8	+ 1/2

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from Page 42

[illegible]

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
39⅝	29	Schlmbl 20		3.8	47	9865	32⅜	30⅝	31¼	−2
14⅞	9⅝	SciAtl			12	1.3	16 844	9⅜	d 9⅛	9⅛
63¼	39⅝	ScottP	1.24	2.3	11	1814	54⅛	52¾	53⅜	−1
18⅛	12⅝	Scottys	.52	3.6	14	225	15	14½	14½	−½
42¼	23	SeaCnt	.42	1.9	9	85	23	d22⅝	22⅝	−⅜
13⅝	11⅞	SeaCt pf1.46		11.		4	13¼	13¼	13¼	
16⅞	15¼	SeaC pfB2.10		13		9	15¾	15½	15⅝	+⅛
17	15	SeaC pfC2.10		13		33	16⅛	15⅞	16	+¼
30¼	18⅛	SeaLnd .48		1.7		9	27¾	27⅝	27⅝	+⅛
5¼	1¾	SeaCo				364	2¾	2⅝	2⅝	
64	37¾	Seagrm	1	1.7	14	1581	58⅞	57⅝	57¾	−1
19⅜	12⅝	Seagul				145	13⅜	13¼	13¼	−⅛

U U U

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
64¾	45	UAL	1	2.0		3141	49⅞	48⅝	49¼	−⅝
22⅝	13¼	UCCEL			19	359	18¾	18	18¾	+½
40¼	22⅝	UDC n	4	13.	8	150	32¼	31⅜	31⅜	−1½
28⅛	20	UGI	2.04	7.8		68	26¼	26⅛	26⅛	
13¾	9	UNCInc			13	302	10½	10⅛	10⅛	−½
18⅝	10⅞	URS	.35r	2.3		89	16¼	15⅜	15⅜	−1
46¾	30¼	USFG	2.32	6.0	31	1004	39¼	38¾	38¾	−⅛
43⅛	18¾	USG s			10	908	37	35⅝	36	−¾
33	16⅞	USX Cp	1.20	6.4	27	9170	19⅛	d18½	18⅝	−½
56⅛	46⅞	USX pf5.10e		11.		5	46½	d46½	46½	−1

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Chng
58¼	53½	Xerox pf5.45		9.8		25	56	55¾	55¾	−½
28¾	20⅝	XTRA	.64	2.8		151	23	22⅝	23	+½
17⅝	13½	Yorkla n				356	15¾	15¼	15¼	−½
39	26¼	ZaleCp	1.32	3.6		125	37⅛	36¾	36¾	−⅛
10¼	3½	Zapata	.03j			274	4⅜	4⅛	4¼	
43⅞	23⅞	Zayre s	.32	.9	22	1838	38	36½	36⅝	−1⅜
29⅞	16¼	ZenithE				908	23¼	22⅞	23	−¼
18¼	8⅝	ZenLb s			17	2267	13⅛	11¾	12⅞	−¼
22⅜	14¾	Zero s	.29	1.8	15	451	16	15¾	15⅞	−⅛
45¾	33	Zurmin	1.32	3.8	12	266	35⅜	34¾	35	−¼

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, July 15

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

[illegible]

Continued on Page 41

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Bad news as shake-out continues

THE SHAKE-OUT continued on Wall Street yesterday, despite early attempts to rally, *writes Paul Hannon in New York.*

There was plenty of bad news to justify the reversal of sentiment. Poor industrial production figures for June suggested that the economy was as shaky as some pessimists had suggested, while the closure by federal regulators late on Monday of First Oklahoma Bankcorp, the second largest commercial bank failure in US history, weighed heavily on some memories. The bond market turned mixed after early gains of up to ¼ point.

At 2pm the Dow Jones industrial average was 22.50 down at 1,770.95.

IBM continued to give concern after its early trading imbalance, a rare event for one of the market's most liquid stocks. Big Blue turned $2½ lower to $136¾ in very high volume as investors pondered the computer group's recent poor profits statement.

The banking sector was active again in response to results. Wells Fargo, announcing higher second-quarter figures, firmed $1½ to $104½, while Security Pacific shed an early $¼ rise to trade unchanged at $35 after its improved results.

Chase Manhattan rose $⅜ to $41 after Monday's 11.4 per cent gain in earnings, while J. P. Morgan, which has shown the best figures so far for this sector, eased $⅜ to $84⅞ in thin trading.

High technology stocks, apart from IBM, attracted more attention, with Honeywell down $1½ at $72 and NCR off $1⅛ to $50⅝ in response to results, while Sperry firmed an early $¼ to $75⅝ on reports that the group was near a mass production agreement with Hitachi.

Rohm & Haas, the plastics and chemical products group, retreated $1½ to $29 in reaction to soft second-quarter figures while specialist glassmaker Owens-Corning dipped $¼ to $49⅝ on improved results.

Among fast food stocks, Church's Fried Chicken lost $¼ to $15¼ on lower second-quarter earnings, while McDonald's, the leading hamburger group, gave up an early $¼ gain to trade $⅛ lower at $68⅝. Wendy's, the third largest of the hamburger chains, held steady at $14⅞.

Publishers were in the spotlight again, with Time Inc and McGraw-Hill both releasing stronger second-quarter results. Market reaction was cool, however, with the former falling $⅞ to $79½ and the latter $⅞ to $55.

GAF, the building materials and chemicals group, opened steady but lost $¼ in later trading to $34¾ on results.

Among the leading Detroit carmakers, Ford rose $⅛ to $53⅞ while Chrysler added $⅛ to $34⅜. American Motors at $4¼ was $⅛ firmer.

PepsiCo, which on Monday revealed plans to buy the international operations of Seven-Up from Philip Morris, shed $⅜ to $30⅜ and the tobacco group slipped $⅜ to $72⅞. Coca-Cola picked up $⅛ to $40⅜, partly in response to its appointment of a chief executive to its new bottling operation.

Also responding to results was GTE, the telecommunications group, which firmed $⅞ to $55 on higher six-month earnings of $591m.

Among the leading stores, Safeway – subject to an unwelcome bid approach by Dart Group – fell sharply again with its $2⅜ drop to $52 in heavy trading.

Associated Dry Goods, which indicated that it would accept a higher stock-swap offer from May Department Stores, declined $2⅜ to $62, while May was $1⅞ cheaper at $76⅜. Sears, the largest US retailer, moved against the trend with a $⅛ rise to $43⅞.

Further falls in crude oil prices unsettled a host of oil issues, with losses of $½ each for Exxon at $57⅜ and Atlantic Richfield at $47⅞. Chevron dipped $⅛ to $34⅞ in part due to recent adverse brokerage comment.

A reduced second-quarter loss for Kaiser Aluminum resulted in a $¼ fall to $16⅞ for the aluminium producer.

Forest products group Boise Cascade was unchanged at $56⅞ on its steady profits figures.

The latest economic data produced a brief mild rally in the bond market, which posted strong gains in late trading on Monday.

Lower industrial production figures lay at the heart of the advance by bolstering the prospects of a further easing of interest rates if the Government expects the economy to speed up.

The Treasury's key long bond, the 7¼ per cent due in 2016, gained an early 5/32 but later slipped to trade 3/32 lower at 101 1/32 to yield 7.15 per cent.

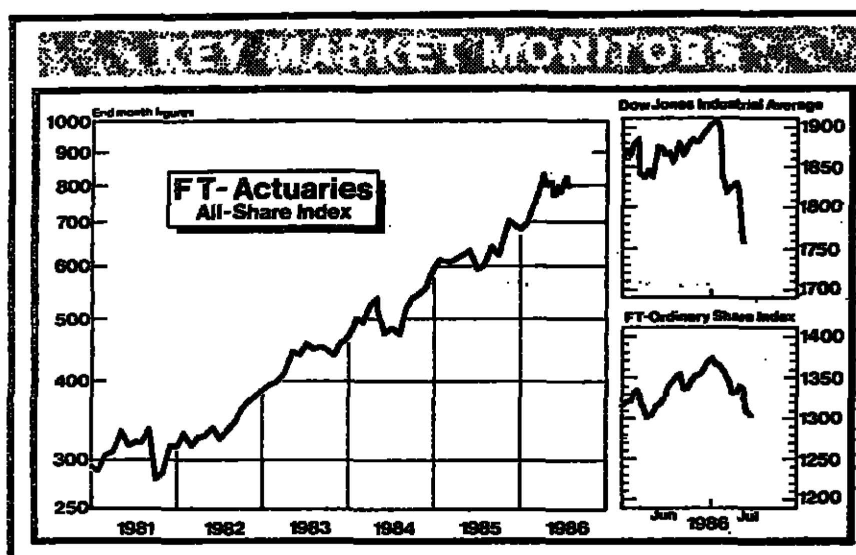
The other key issue, the 7⅜ per cent 1996, held some of its early rise to trade 1/32 ahead at 101 9/32 to yield 7.18 per cent.

Federal funds opened at 6⅞ but slipped to 6⁵⁄₁₆ at which level the Federal Reserve announced a $1.5bn customer repurchase.

Rates on Treasury bills opened lower but gained later in the session with the three-month issue 1 basis point higher at 5.79 per cent and the six-month issue 1 basis point up at 5.81 per cent. The 12-month bill, at 5.84 per cent, was two basis points higher at 5.84 per cent.

Municipal bonds were steady to ⅛ higher in quiet trading.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	July 15	Previous	Year ago
DJ Industrials	1,770.95*	1,793.45	1,335.46
DJ Transport	724.13*	740.00	689.26
DJ Utilities	202.08*	204.16	168.65
S&P Composite	234.18*	238.11	192.72
LONDON			
FT Ord	1,302.6	1,309.9	928.7
FT-SE 100	1,593.0	1,597.3	1,243.6
FT-A All-share	790.83	794.28	597.11
FT-A 500	866.26	870.33	649.00
FT Gold mines	190.3	196.4	399.0
FT-A Long gilt	9.57	9.61	10.25
TOKYO			
Nikkei	17,882.80	17,820.56	12,598.8
Tokyo SE	1,390 58	1,385.90	1,029.60
AUSTRALIA			
All Ord.	1,122.2	1,137.1	903.3
Metals & Mins.	493.2	503.4	508.3
AUSTRIA			
Credit Aktien	239.10	239.61	96.04
BELGIUM			
Belgian SE	3,697.65	3,722.46	2,329.30
CANADA			
Toronto			
Metals & Minls	1,965.9*	1,984.6	1,899
Composite	2,975.7*	2,999.3	2,756.4
Montreal			
Portfolio	1,488.13*	1,506.61	135.64
DENMARK			
SE	204.49	208.13	210.77
FRANCE			
CAC Gen	364.80	closed	219.8
Ind. Tendance	140.10	closed	81.2
WEST GERMANY			
FAZ-Aktien	611.29	622.90	473 86
Commerzbank	1,845.50	1,875.80	1,388.0
HONG KONG			
Hang Seng	1,764.13	1,739.93	1,640.49
ITALY			
Banca Comm.	656.60	667.81	347.27
NETHERLANDS			
ANP-CBS Gen	290.30	294.3	216.7
ANP-CBS Ind	290.60	293.3	183.3
NORWAY			
Oslo SE	360.69	355.41	329.46
SINGAPORE			
Straits Times	792 64	739.40	717.95
SOUTH AFRICA			
JSE Golds	–	1,270.1	949.8
JSE Industrials	–	1,191.9	1,035.9
SPAIN			
Madrid SE	171.69	173.22	81.41
SWEDEN			
J & P	2,485.93	2,500 59	1,318.04
SWITZERLAND			
Swiss Bank Ind	540.80	547.5	458.8
WORLD	**July 14**	**Prev**	**Year ago**
MS Capital Int'l	321.6	325 0	220 0

COMMODITIES

(London)	July 15	Prev
Silver (spot fixing)	336.55p	339.15p
Copper (cash)	£884.50	£887.00
Coffee (September)	£1,909.00	£1,873.50
Oil (Brent blend)	$9 55	$8.55

GOLD (per ounce)

	July 15	Prev
London	$346.75	$345.50
Zürich	$346.20	$345.70
Paris (fixing)	$347.49	$348.20
Luxembourg	$345.95	$346 40
New York (Aug)	$349.40*	$346.40

* Indicates latest pre-close figure

CURRENCIES

(London)	US DOLLAR July 15	US DOLLAR Previous	STERLING July 15	STERLING Previous
$	–	–	1.4955	1.4815
DM	2.1660	2.1785	3.2400	3.2275
Yen	159.45	160.25	238.5	237.50
FFr	6.9925	7.0100	10.4575	10.3850
SFr	1.7595	1.7790	2.63	2.6350
Guilder	2.4450	2.4570	3.6575	3.6400
Lira	1,482	1,496	2,216	2,216
BFr	44.60	44.90	66.7	66.5
C$	1.3745	1.3765	2.0525	2.0418

INTEREST RATES

Euro-currencies (3-month offered rate)	July 15	Prev
£	10 1/16	10⅛
SFr	5 1/16	5 1/16
DM	4⅝	4⅝
FFr	7¼	7 5/16
FT London Interbank fixing (offered rate)		
3-month US$	6⅝	6 11/16
6-month US$	6⅝	6 11/16
US Fed Funds	6¼*	6 15/16
US 3-month CDs	6.25*	6.475
US 3-month T-bills	5.775*	5.93

US BONDS

Treasury		July 15 Price	July 15 Yield	Prev Price	Prev Yield
7⅛	1988	100 26/32	7.548	100 16/32	6.723
7¼	1993	100 27/32	7.094	99 26/32	7.272
7⅜	1996	101 12/32	7.17	100 16/32	7.328
7¼	2016	101 1/32	7.139	101	7.167

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return Index (July 15*)	Day's change	Yield	Day's change
1–30	154.34	+0.71	7.21	–0.07
1–10	146.47	+0.47	7.01	–0.06
1– 3	137.43	+0.20	6.69	–0.04
3– 5	148.59	+0.47	7.17	–0.07
15–30	182.64	+1.59	7.90	–0.08

Source: Merrill Lynch

Corporate	July 15 Price	July 15 Yield	Prev Price	Prev Yield
AT & T				
3⅞ July 1990	92¼	6.12	92⅛	6.09
SCBT South Central				
10⅞ Jan 1993	107.00	9.20	106⅞	9.57
Phibro-Sal				
8 April 1996	99.81	8.05	98.85	8.20
TRW				
8¾ March 1996	104.62	8.10	103⅞	8.30
Arco				
9⅞ March 2016	105.12	9.36	105	9.27
General Motors				
8¼ April 2016	92.90	8.80	92⅞	8.84
Citicorp				
9⅜ March 2016	98.35	9.54	97.78	9.60

Source. Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	100–08	100–29	99–31	100–14
US Treasury Bills (IMM) $1m points of 100%				
Sept	94.52	94.57	94.50	94.53
Certificates of Deposit (IMM) $1m points of 100%				
Sept	n/a	n/a	n/a	93.95
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	93.62	93.66	93.61	93.56
20-year National Gilt £50,000 32nds of 100%				
Sept	119–25	120–15	119–15	119–15

* Latest available figures

LONDON

Measure of confidence returns

A MEASURE of composure returned to London yesterday after the setback caused the previous day by sterling's persistent weakness. The FT Ordinary share index closed 7.3 lower at 1,302.6 and the more broadly-based FT-SE 100 closed 4.3 lower at 1,593.0.

Sterling's steadier trend gradually restored confidence, although initial dealings were soured by the overnight fall on Wall Street.

A put-through of some 46m Hanson Trust shares at around 175p was also an early restraining factor but once this had been successfully completed a recovery movement got underway.

However, there was no real force behind the rally, which began to look fragile awaiting the opening of Wall Street. In the event, transatlantic markets failed to give a positive lead at the opening and the final tone in domestic equities was uncertain.

Gilts, buoyed by sterling's rally and the overnight improvement in US bonds, also put on a better performance.

Chief price changes, Page 41; Details, Page 40; Share information service, Page 37–38.

AUSTRALIA

NEGATIVE SIGNALS from overseas caused sentiment to turn bearish in Sydney where industrials led a retreat as shares ended on a sharply weaker note.

The All Ordinaries index closed 14.9 lower at 1,122.2.

BHP finished 8 cents lower at A$8.00 after touching a low of A$7.86. Brokers said its price recovered on lessening speculation that the company is about to launch a takeover bid for Elders IXL, which lost 16 cents to A$4.90.

Concern among investors about the direction of the economy put pressure on industrials, with finance, developers and media issues the main targets.

Insurance stocks were also easier on balance. FAI dropped 20 cents to A$7.40, while NZI advanced five to A$1.55.

SOUTH AFRICA

A STEADIER commercial rand and a rebound in the financial rand caused gold shares to close mixed to easier in Johannesburg after opening firmer.

Buffels lost R2 to R75 while Kloof fell 40 cents to R23.25. However, Ofsil ended R1.25 higher at R82.25. Driefontein dropped 25 cents to R55.

Mining financials were also mixed while in diamonds, De Beers was 25 cents higher at R31, after opening at R31.25. Anglo American also added 25 cents at R49.25, while Gold Fields SA was R1.40 cheaper at R41.35.

EUROPE

Domestic and foreign moves spark declines

THE DECLINING DOLLAR and heavy losses in Wall Street combined with domestic factors across Europe to send most bourses lower.

Frankfurt dropped sharply, unnerved by the dollar's fall to a five-year low against the D-Mark. Export-oriented stocks came under pressure once again and banks were lower, adversely affected by last week's cut in the US discount rate.

The Commerzbank index shed 30.3 to 1,845.5.

The plan by Puma, the sports good manufacturer, to float 280,000 shares at DM 310 has been well received by the market and dealers say there should be no problem in placing the shares.

Among cars and banks, VW fell DM 21.30 to DM 465.50, Daimler DM 29 to DM 1,306 and BMW DM 6 to DM 570, while Deutsche lost DM 10 to DM 749.50, Dresdner DM 13.20 to DM 395.50 and Commerzbank DM 9.50 to DM 289.50.

Chemicals sufered from the dollar's fall. BASF gave up DM 6.90 to DM 252, Bayer DM 7.80 to DM 278.50 and Hoechst DM 3 to DM 256.50.

Domestic investors were active in the bond market pushing prices higher. Longer-dated issues rose by about 10 basis points.

The Bundesbank sold DM 67.5m worth of paper after buying DM 7.1m on Monday.

The new 5¾ per cent 1996 government bond was unchanged at less 1⅜ and 1⅛, while the previous 5¾ per cent 1996 issue added 15 basis points to 99.40 and the 6 per cent tranche was steady at 98.35.

Paris was weighed down by political tension following President Mitterrand's refusal to sign a privatisation decree.

The bourse suffered a fall of more than 4 per cent in early trading but recovered later to end down 2.17 per cent at the close.

Schneider dropped FFr 46 or 6 per cent to FFr 690, Accor ended down FFr 21 or 5.6 per cent at FFr 419 and Avions Dassault gave up FFr 45 to FFr 1,295.

Among food and drink issues, BSN dropped FFr 90 to FFr 3,760, Moët Hennessy FFr 40 to FFr 3,070 and Pernod-Ricard FFr 276 to FFr 1,182.

Amsterdam trading was featureless and the ANP-CBS general index fell 4 to 290.3.

Among lower internationals, Unilever lost Fl 3.50 to Fl 495.50, Akzo Fl 2 to Fl 163.30, Hoogovens Fl 1.60 to Fl 109.40 and Royal Dutch Fl 1.10 to Fl 188.90.

Publisher VNU fell to profit-taking after recent demand from the UK and ended at Fl 335.50, down Fl 4.50.

Bonds were mostly steady in very quiet trade.

Milan was kept lower by the end of month squaring exercise and continued political uncertainty.

Montedison group companies all faded and Montedison dropped L137 to L3,155, while among other industrials Fiat gave up L364 to L12,135 and Saipem was steady at L5,170.

Zurich was not assisted by higher local short-term interest rates and industrials were hit by the weaker dollar.

Swissair bearer shed SFr 50 to SFr 1,430, while in lower financials Baer Holding bearer fell a hefty SFr 750 to SFr 18,450.

Bonds lost ground weakened by the announcement of several new issues with low coupons. The firmer trend of short-term interest rates had not filtered down into the market.

Brussels reacted less sharply to Wall Street's overnight performance, but trading was nonetheless depressed.

The day's most active stock, Petrofina, bucked the trend, however, rising BFr 40 to BFr 8,760.

Interest-rate sensitive utilities were lower on uncertainty over the direction of rates.

Stockholm ended marginally lower as investors remained on the sidelines.

Madrid also declined with falls outnumbering gains 62 to 36.

HONG KONG

SPECULATIVE BUYING on Hongkong Land's announcement that it may spin off its Dairy Farm operations sent prices sharply higher in Hong Kong and the Hang Seng index ended up 24.20 at 1,764.13.

Hongkong Land advanced 15 cents to HK$6.05, while its main shareholder, Jardine Matheson Holdings gained 20 cents to HK$13.50.

SINGAPORE

INCREASED SELLING in the afternoon led shares generally lower in a quieter Singapore.

Brokers said that uncertainties over the near-term direction of the market in the absence of fresh factors kept most investors on the sidelines although some nervous holders did engage in profit-taking later in the session.

DBS led the actives, boosted by a large block deal, and closed 5 cents lower at S$7.05. Promet lost 1.5 cents to S$52.50.

CANADA

OILS, INDUSTRIALS and metals and mines took Toronto lower, stretching session losses in moderate activity. Industrials slumped as activities including Canada Development Corp fell C$⅛ to trade at C$7, Northern Telcom C$1 to C$37¾ and Cineplex C$⅞ to C$18⅝.

Resisting the trend Bank of Nova Scotia advanced C$⅛ to C$1⅛ to C$16.

Montreal followed Toronto lower.

TOKYO

Low-priced issues lead to record

THE NIKKEI average rose 62.24 to a record 17,882.80 in Tokyo yesterday and the stock exchange announced strengthened margin trading regulations to curb price rises after the close, *writes Shigeo Nishiwaki of Jiji Press.*

Volume totalled 1.165bn shares, compared with the previous session's 1.164bn, topping 1bn for the fifth consecutive session. But losers led gainers 466 to 392, with 128 issues unchanged.

Mirroring falls in world markets including New York, London and Frankfurt, small-lot selling mounted early in the session, pushing the Nikkei average down 58.37. But when selling had run its course, investors stepped up buying of low-priced large-capital stocks and the indicator rallied to register a 99.95 increase.

Institutional investors bought steels and shipbuildings in large lots of 10m shares. Nippon Steel remained the busiest with 157.78m shares changing hands and closed Y1 higher at Y198 after reaching Y201.

Kawasaki Steel opened higher, but finished Y4 lower at Y205 on the second largest trading of 143.36m shares. Ishikawajima-Harima Heavy Industries dropped Y5 to Y351.

Profit-taking selling of some low-priced large-capital issues increased. Market analysts noted that the leaders, Ishikawajima-Harima and Nippon Kokan, had advanced 80 per cent and 70 per cent respectively in the past two months.

Keisei Electric Railway, a speculator favourite among railway stocks, gained Y16 to Y596, while Tobu Railway rose Y15 to Y665, their placings seventh and eighth on the active list. Nishi-Nippon Railroad jumped Y37 to Y482.

The yen's climb against the dollar encouraged investors to seek resources issues. Mitsui Mining and Smelting rose Y27 to Y415 and Sumitomo Metal Mining advanced Y70 to Y1,740.

Among high-priced issues, Toho rose Y1,050 to Y23,200 on buying aimed at reaping capital gains, while Computer Services climbed Y260 to Y9,470 and Secom Y190 to Y9,260.

Bond prices gained, reflecting Monday's firm bond prices in the US and the Japanese currency's advance past Y160 to the dollar. The yield on the barometer 6.2 per cent government bond due in July 1995 yielded 4.745 per cent against 4.780 on Monday. That on the 6.5 per cent government bond due in December 1995 also declined from 5.080 to 5.050 per cent.